The NATIONAL UNDERWRITER

The National Weekly Newspaper of Fire and Casualty Insurance June 13, 1958 62nd Year, No. 24

Sweeping New York WC Decision Concerns Insurers Of All Lines

By KENNETH O. FORCE

The decision of the New York department to exclude State Fund experience on workmen's compensation from that of private insurers writing the line, in arriving at the WC rate level, astonished the business. This is partly because WC produces more than $200 million in premiums a year in the state, which makes it second only to automobile liability in size.

But the insurers and rating bureaus generally, and not solely those that write WC, are concerned because of (1) the decision's sweeping alteration in a rate making procedure which has been followed for 25 years, and (2) the assumption of authority which makes it clear that the department interprets the statutory authority to regulate rates as conferring the power to make them.

In some respects, this decision resembles in purpose the department's decision in the case of the automobile insurers, who asked for a rate increase of 9.5% and got nothing, and the determination in the Blue Cross application for a 40% increase in rates, which was also denied in toto. That purpose was to prevent a rate rise in the face of evidence that increases were needed. This is particularly true of automobile and Blue Cross. In the present WC case, a year ago the rating bureau filed a reduction in rates which were accepted. But the department, acting on a Moreland act commission recommendation, called for a hearing and asked why the rates should not be further reduced by the extent to which exclusion of State Fund experience would reduce them. The present decision, if it goes unchallenged in court, will act to prevent any WC rate increases this year to accomodate the statutory increases in benefits.

The three rulings also bear some resemblance in this respect, that the effect of the departmental action in all three instances is to force the insurers to use up reserves or (in the WC case) to reduce the underwriting margin. In the auto rate case the implication was clear that if insurers were losing money on auto liability in New York state, they could use up

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Commissioners Hold Annual Parley At Chicago

Social Activities Offer Respite From Swirl Of Committee Meetings

National Assn. of Insurance Commissioners, holding its annual meeting in Chicago this week, upon reaching the dead spot in the program entitled "Publication of Reports" had run through a large number and variety of subcommittee and committee meetings without generating much excitement.

The item on the agenda drawing the most attention was that of the federal government and its investigation, through a Senate subcommittee, of insurance and public law 15. A meeting of the committee on the preservation of state regulation Monday afternoon drew the biggest crowd of the day, but there were no new developments. McConnell of California presided and, as he has in the past, warmed to his subject and offered some scathing remarks concerning congressional committee staff personnel.

In its opening stages, the meeting provided a fine assortment of social activities, including a luncheon for the commissioners given by the agents at the Conrad Hilton hotel, and a reception and buffet luncheon at the new offices of National Assn. of Independent Insurers. Monday evening there was a reception in the grand ballroom of the Hilton which was unusually successful because the crowd had breathing space.

The new headquarters offices of National Assn. of Independent Insurers were shown off to more than 400 industry and department people Monday noon at a reception and buffet luncheon. NAII for about a month has

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Offers New Rating Method For Auto With Single Commission Calculation

A new method of rating automobile insurance was suggested at the annual meeting of Midwestern Independent Statistical Service by S. Alexander Bell, MISS manager. Addressing member companies which write $1 billion of auto insurance in the 15 states in which MISS operates, Mr. Bell advocated the calculation of only one premium for auto, that being on the basic classification (class 1A), in which calculation should be included a 25% commission, while for all other classifications the premium would be class 1A plus a surcharge in which there would be no loading for commission.

Mr. Bell explained that experience has developed that class 2 drivers incur about 2½ times as much in losses as class 1, so the premiums on class 2 risks have been increased in some territories to approximately 2½ times those for class 1; but included in the price of insurance is a 25% commission allowance which in the case of class 2 is 2½ times as much as the commission on class 1.

Since class 2 drivers are generally considered undesirable, he explained, and are avoided as much as possible by the companies, "It would seem logical that the compensation of the producer for securing class 2 risks should be reduced rather than increased. In plain words, under the existing formula, the insurance agent is paid 2½ times as much for producing the business nobody wants than he is paid for producing the business everyone is eager to secure. On the other hand, the automobile owner who must have insurance to drive his car, perhaps so he can make a living, because of the obsolete rating formula must pay a substantial additional premium not necessary for any actual service either to him or the companies for producing this insurance."

Mr. Bell opined that the formula will be changed, whether by voluntary action on the part of the companies or producers or forced on the industry by the supervisory authorities "under the pressures of an outraged public" is not yet known, but there are some straws in the wind. Under the prodding of several commissioners, he said, commissions are being reduced on class 2 business instead of

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Dean John W. Lucas (left) of the University of Omaha is shown adjusting the academic hood of V. J. Skutt (center), president of Mutual Benefit H.&A., as Dr. Milo Bail (right), university president, presents Mr. Skutt with an honorary degree of doctor of laws at university commencement exercises. Dr. Bail cited Mr. Skutt, who was a university regent 1944-50, for his "significant contribution . . . and his sphere of influence."

$2½ Million Tornado Is Catastrophe No. 93

A tornado and windstorm which struck a four-county area in west central Wisconsin on June 4 has been given catastrophe number 93 by National Board. Western Adjustment estimates that stock company liability will run about $2½ million on approximately 2,000 losses over-all.

The northern part of Chippewa Falls was pretty badly torn up, with 100 to 150 total dwelling losses and about another 700 to 800 smaller losses. At Colfax every building was damaged to some extent, with 75 total and another 200 smaller losses.

The tornado also cut a wide swath through rural areas, and many farms received heavy damage. Farm losses as a rule are handled by adjusters from the companies involved but these figures are included in the 2,000 loss estimate.

Another tornado and windstorm on the night of June 8, accompanied by heavy rains, hit parts of Indiana, Illinois and Iowa, including a large rural area. At Newcastle, Ind., the tornado dipped down and destroyed one store insured for about $3,500. There were also about 100 losses there at $300 to $400 each.

At Elwood, Ind., there were about 750 losses from $100 to $150 each, and there was some flooding at Marion and Lafayette.

Currently there has been no complete report received from Iowa, but apparently there was no major damage. The same appears to be true for Illinois.

Grange In One Operation

National Grange group of New Hampshire has dissolved its fire company and absorbed the business in the liability company, which will continue as a multiple line operation.

R. I. Auto Rate Rise Affirmed After Hearing

Rhode Island Commissioner B[illegible]ron has reaffirmed his approval of automobile rate increases which became effective last August. The increases are 25% on both BI and PDL for National Bureau of Casualty Underwriters: 25% on BI, and 15% on PDL for Mutual Insurance Rating Bureau, and 4.83% on PHD for National Automobile Underwriters Assn.

The rates were the subject of nine days of public hearing during September, October and December as a result of a petition by special public counsel appointed by Gov. Roberts.

The commissioner found that the testimony at the hearing made it clear that allegations in the public counsel's petition and brief were not borne out by the facts and that his actuary failed to substantiate charges that the rates are excessive and discriminatory.

Insurance Changing And Progressing Despite Its Sacred Cows, Continental Casualty President Tells Midwest Statistical Group

The experience of Continental Casualty with excess and surplus lines offers a demonstration of progress in rating and coverage which can be achieved in a relatively short time, Continental's president, J. M. Smith, told the annual meeting of Midwestern Independent Statistical Service in Chicago.

J. M. Smith

"Only four years ago we were negotiating with underwriters at Lloyds for surplus line facilities which we thought we needed to provide for a full range of insurance services to the American public," he said. "While the negotiations were under way, we decided to try to do ourselves a few of the things which were thought to be impossible for an American company. The result is that this year we will write over $7 million of premiums which formerly would have been considered strictly Lloyds business."

Mr. Smith said this progress prompts Continental Casualty to be less disturbed and less discouraged than some over the apparent road blocks, or sacred cows in the business.

The development of high deductible fire coverages, Mr. Smith said, is an outstanding example of progress in the business within a system of methods and institutions which could easily be allowed to dominate rather than serve the objectives for which they were created. A good premium rate should be adequate, reasonable and non-discriminatory, and to achieve these objectives there are elaborate statistical services, rating bureaus, and provisions for rate filing and rate approval. The activities of the rating bureaus are most effective and most reliable within the range of normal values and losses, he declared. The prestige of the bureau work in this basic field might have overshadowed the fact that in the realm of high limits the filings are necessarily speculative and often inferior to seasoned underwriting judgment.

Several "sacred cows" that still plague the insurance business were listed by Mr. Smith at the conclusion of his address:

"Most of them, in fact, are our own responsibilities—they are the ingrained habits of the American companies, the company-controlled bureaus, and the agency organizations.... How long, for example, will the leading companies and the leading agents cling to the notion of annual policies sold only on an annual premium basis? Will we be venturesome enough to experiment with continuous policies and with direct billing of renewal premiums for the sake of greater economy to our insured? Will we develop means of paying for insurance as everything else in our economy is purchased, on an installment basis? How long will we continue to struggle with illogical and unrealistic methods of paying for the services of our agents? Will we continue to provide the most dollars of commission for the least desirable business just to maintain a flat percentage scale? When will we overhaul our outdated credit and collection procedures with their fantastic extensions of credit to the resulting problems of uncollectable audits, flat cancellations and free insurance? When will the industry adopt a realistic attitude toward 'accommodation' business and recognize that much of this undesirable exposure works as great a hardship on the agent as on the company which he persuades to accept it?"

"Nearly 10 years ago this was recognized by the state of California when it refused to let such filings achieve the status of sacred cows and gave an American company freedom to rate in accordance with its own good judgment a large industrial risk with a deductible of $100,000," Mr. Smith said, commenting that this was an action

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Robert L. DeHority (center) holds a certificate of recognition for 50 years of representation by the DeHority & Son agency of Elwood, Ind., of Pennsylvania Fire. At the left is Richard W. Seib, midwest department casualty superintendent at Chicago of North British, and at the right is Bruce Titus, Indiana special agent.

Name Directors Of N. Y. UM Corp.

Motor Vehicle Accident Indemnity Corp., which was set up in New York to close the gaps in the compulsory law, has elected the following directors: William J. Ahearn, executive vice-president of Great American Indemnity; Joseph F. Murphy, secretary and counsel of America Fore; William F. Dowling, president of New York Mutual Casualty; Roy C. McCullough, general counsel of Lumbermens Mutual Casualty; Henry S. Moser, senior vice-president of Allstate, and Herman W. Reeder, executive vice-president of Nationwide. They will hold an organizational meeting with Superintendent Julius S. Wikler in the near future.

Under an amendment to the insurance law which provides for a compulsory uninsured motorist's endorsement on automobile liability policies, the corporation assumes the role of insurer. This approach avoids the conflict of interest on the part of the insurer which exists when insured attempting to recover against an uninsured motorist is required under the present endorsement to proceed against his own insurer and the latter may be called upon to defend insured in an action brought by the owner of another vehicle involved in the same accident.

WC Premiums At New High In N. J., Loss Up

Compensation Rating & Inspection Bureau of New Jersey has reported record premiums of $86,495,000 in 1957 —an increase of more than $10 million over 1956, due to amendments to the compensation law effective in January, 1957. Loss ratio was 60.66% compared to 55.55% the year before. At the year end there were 5,186 assigned risks with estimated premiums of $2,463,000, compared to 5,229 with premiums of $2,512,000 in 1956. The bureau, however, noted a recent trend toward increasing assignments.

In his report, Bernard Hamilton, manager, pointed out that mechanization of experience rating procedure has brought promulgation of rates reasonably up to date. He noted that mechanization is also being developed in member companies where some needs may be overlooked. When a machine process is introduced, he said, it is necessary to provide for variables if trouble is to be avoided. Procedures often require adjustment and confusion may result if each company proceeds independently, particularly where short cuts are taken because of difficulty with rules. The industry needs a comprehensive review with the requirements of the machine in mind in order to achieve the savings and efficiency possible through mechanization, Mr. Hamilton said.

He also indicated that the collectible level of rates at July 1, 1958, is 45.7% above that of July 1, 1949.

Brice Frey To Address Indianapolis Gathering

INDIANAPOLIS—Brice A. Frey Jr., vice-president of General Reinsurance, will speak to a luncheon gathering of Indianapolis insurance people on the subject of the "The Unusual Risk" June 18. The meeting is sponsored by the Indiana chapter of CPCU and will be at the Continental hotel.

O'Beirne To Succeed Nordeng As Aetna V-P

Edward N. O'Beirne Jr. is being promoted to vice-president of Aetna Casualty and of Standard Fire and will head the fire division. He will succeed Olaf Nordeng, vice-president, who is retiring July 1 after 32 years' service. Mr. Nordeng will continue as a director of Standard Fire.

Olaf Nordeng

Mr. O'Beirne joined Aetna Casualty in 1934 at Atlanta, and subsequently became associate manager of the southern fire department. In 1954 he went to the home office as secretary of the fire division and two years ago was promoted to assistant vice-president.

Mr. Nordeng began his insurance career nearly 50 years ago and was appointed secretary upon joining Aetna Casualty in 1926. Promoted to vice-president in 1939, he has been head of the fire insurance division for the past two years. He was vice-president and on the governing committee of Western Underwriters Assn., vice-president and executive committeeman of Oil Insurance Assn., a director of General Adjustment Bureau and on the executive committee of Railroad Insurance Rating Bureau.

N. Y. Official Cites Need Of Bonds In Public Works

Frederick H. Zurmuhlen, commissioner of public works of New York City, told the Assn. of Bond Underwriters of New York City at its monthly meeting that he firmly believes in performance and payment bonds.

He said that contract procedure is so important that he formed a separate division in the department to deal solely with hundreds of contracts which bind and protect the city in its vast construction and maintenance program. New York has required bonds on its public works for only the last five years.

It has been proved that standard bonding procedure has benefited the city and the taxpayers who are its stockholders, Mr. Zurmuhlen stated. He added that in the past five years eight construction jobs under his supervision were taken over by sureties. Three were abandoned by one firm and five other firms defaulted. The eight defaulted contracts amounted to $1,074,345, which would have been the city's loss if it self insured.

He said that the defaults were among 660 contracts let by the department in the five year period for a total of $220 million, and represented only a little more than one-tenth of 1%.

Allstate To Build In Philadelphia

Allstate broke ground recently for a new $1 million building in suburban Philadelphia to house the regional office presently in leased midtown quarters. The building, 55,000 square feet in area, will house 200 employes with provision for future expansion. Completely air conditioned and set in landscaped grounds providing parking for more than 200 cars, it will feature an employes' cafeteria and outdoor dining patio.

THE NATIONAL UNDERWRITER. Published weekly by the National Underwriter Company, Office of Publication, 175 W. Jackson Blvd., Chicago, Ill., U.S.A. 62nd year, No. 24, Friday, June 13, 1958, $7.50 per year (3 years, $20); Canada $8.50 per year (3 years, $23); Foreign $9 per year (3 years, $24.50). 30 cents per copy. Entered as second-class matter April 15, 1931, at the post office at Chicago, Ill., under Act of March 31, 1879.

Tangier Insurer To Have Its Day In Court June 26

Superior Court Judge Preston Devine at San Francisco has set June 26 to hear arguments on a motion filed by attorneys for International Guaranty & Ins. of Tangier to set aside the seizure of the company by Commissioner McConnell.

The attorneys—Lloyd Dinkelspiel and Eugene Clifford—have argued that the department has no jurisdiction over the company; that it did not have a home office in San Francisco and that the company was organized and operating on the same basis as Lloyds does in the United States. They argue that California law provides only for a penalty of a $500 fine for attempting to or operating without a state license and that the company has not transacted any business nor has it any policyholders in California.

The department and the attorney general's office contend they have a preponderance of evidence against the company; that its records are incomplete with some missing; that it records a considerable sum of premiums collected which cannot be found regardless of the fact that a month's truce was declared on the investigation during which time Dinkelspiel agreed to bring all records in. At the end of the truce and at the agreed meeting, he brought no records.

Assistant attorney general Harold Haas and Commissioner McConnell and his investigators insist that the company has been operating out of the San Francisco office of Stewart Hopps, the "mystery man" of the insurance business, and that evidence to this effect was found and taken from his offices.

The investigators also declare—as does the attorney general—that they have been unable to obtain the name

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Independent Statistical Group Elects Cooling At Annual Meeting In Chicago

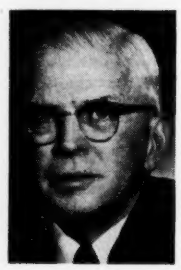
Members of Midwestern Independent Statistical Service, meeting in Chicago, elected W. P. Cooling, Indiana, as president to succeed H. H. Rhein, Auto Club of St. Louis. The vice-presidents are H. M. Cumberworth, Detroit Auto Club; C. L. Morris, Illinois National; R. W. Griffith, Nationwide Mutual; R. F. Knudsen, Hawkeye-Security; E. R. Oram, Minnesota Mutual F. & C. W. Wright, Farm Bureau Mutual of Kansas, is secretary, and P. N. Snodgrass, General Casualty of Madison is treasurer.

The welcome address was given by Director Joseph Gerber of Illinois, and other speakers were Harold E. Curry, vice-president of State Farm Mutual, and J. M. Smith, president of Continental Casualty. The one-day meeting also included a discussion of companies' statistical problems in panel forum with Mr. Bell, presiding, and Mr. Curry, R. W. Griffith, Nationwide Mutual, M. W. Powers, Great Central, and L. A. Hayner, Zurich.

Adlai Rust Moves Up To Chairman Of State Farm Mutual

Adlai H. Rust has been elected chairman of State Farm Mutual Automobile. He is succeeded as president by Edward B. Rust.

E. B. Rust



A. H. Rust

A. H. Rust is chief executive officer of the three companies in the State Farm group. He has been chairman of State Farm Life and State Farm Fire & Casualty since 1951. He was the first management associate of G. J. Mecherle, the founder of State Farm, beginning with the company when it was organized in 1922. Mr. Rust was elected executive vice-president of State Farm in 1934 and president in 1954. The post of chairman had been vacant since Mr. Mecherle's death in 1951.

E. B. Rust is the fourth president of State Farm. He has been executive vice-president-operations since 1954. He graduated cum laude from Stanford University in 1940 and the following year went with State Farm. After service in the navy he was named director of branch offices in 1946.

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Kraft Joins Suburban Claims

Leonard F. Kraft has joined Chicago Suburban Claims Service as claims superintendent. He has been in the investigation and adjustment field for 30 years on the company side as claims attorney, branch claim manager and home office claim superintendent. The head office of Chicago Suburban Claims Service is 100 North LaSalle street.

Buyers Of Nw F.&M. Plan Liquidation Of Minneapolis Insurer

Tenders of more than 51% of the stock of Northwestern F.&M. reportedly have been made to Inter-Canadian Corp. of Minneapolis, a closed end investment company, which is bidding $41 for 66⅔% of the shares by June 30.

Inter-Canadian intends, reportedly, to liquidate Northwestern F.&M. which has a book value of slightly more than $50 a share and after taxes could wash out at something like $48. Commissioner Sheehan has issued a statement saying he will not allow this to happen in that it is "contrary to the public interest and more particularly the rights of the policyholders presently holding policies of insurance in Northwestern F.&M." Mr. Sheehan goes on to say that the insurer is obligated to remain in business to carry out the terms of its contracts, and "is in excellent financial condition as set forth in their 1957 year-end financial statement submitted to this department, and, therefore, has no reason for liquidation. It is obvious that any attempt to dissipate or withdraw assets so as to make them unavailable for the discharge of Northwestern F.&M.'s obligations to their policyholders will not be permitted by this department."

Contract Automatically Reinsures

Northwestern F.&M. for many years has had an arrangement with Hartford Fire under which Hartford automatically reinsures Northwestern F.&M. business. This contract expires at the end of 1958.

Stock of Northwestern F.&M. was selling at around 32 last winter. Hartford made an offer to buy at 36, asking for tenders at the price so that it could have control. It was pointed out by some stockholders that this was more than 14 points under the book value, and the price on the street went to 37 and Hartford was unable to get sufficient tenders. Inter-Canadian came into the proceedings with an offer of 41 and Hartford, it is understood, has made a tender of its 19,000 shares to Inter-Canadian.

The latest development is the report that a group of Minneapolis business men intend to offer 45 for the stock, but no firm offer has been forthcoming.

There are 125,000 shares of Northwestern F.&M. stock with a par value of $10. The company has been in business since 1899 and is licensed in 48 states and has 4,500 agents.

Springfield F.&M. Promotes Wessendorf Reutepohler, Roberts

Roy E. Wessendorf, vice-president of Springfield F.&M. group at San Francisco, has been transferred to the home office, and Secretary Russell R. Reutepohler has been advanced to vice-president in San Francisco. Wolffe W. Roberts has been elected assistant secretary at San Francisco.


Roy Wessendorf

Mr. Wessendorf, who has been administrative head of the Pacific department, is being transferred to the home office as vice-president in charge of all departmental


W. W. Roberts


R. R. Reutepohler

offices. He was graduated from the University of Missouri and joined Springfield F.&M. at Chicago in 1926. In 1947 he was appointed superintendent of agencies in charge of inland marine for the western department territory. Later he handled production for all lines in several western states. He was elected secretary at Chicago in 1948 and became a vice-president and transferred to San Francisco in 1955.

Mr. Reutepohler joined the Pacific department in 1955 as manager of the casualty and bond division and was elected secretary the same year. As vice-president, he will succeed Mr. Wessendorf. His experience includes 10 years in the field as a special agent and 17 years as a casualty manager.

A graduate of the University of Idaho, Mr. Roberts joined Springfield F.&M. in 1948. In 1952, he was appointed superintendent of agencies in Montana and in 1956 he was transferred to San Francisco and named agency superintendent.

Monarch Life Stock Tenders Pass 80%

Monarch Life stockholders have tendered more than the required 80% of stock in exchange for Springfield F.&M. shares necessary for affiliation of the companies. The tender period has been extended from May 29 to July 1.

Springfield stockholders will meet July 1 to complete the action by authorizing issuance of one million additional common shares to be used in the exchange for Monarch stock.

At a special stockholders meeting in May, Springfield declared stock dividends of three-sevenths of a share of common and one-tenth of a share of a new $10 par preferred stock on each share of common held, payable on June 16 to holders of record June 6.

Monarch Life declared a special dividend of 31.25 cents a share on June 3 to give stockholders the benefit of a full half year's affiliation with Springfield. Since June 6 is the record date for Springfield's third quarter dividend, Monarch Life stockholders will not participate because the necessary action for affiliation will not be taken until July 1.

U&O Sales Static During Best Market

A. Addison Roberts, vice-president of Reliance, in a talk at Pennsylvania Insurance Educational Conference at Penn State University, said it is unfortunate that business interruption premiums have not increased more in the post war years when earnings have reached all time highs. Premiums are only about 3% of the total fire volume and have been relatively static for quite a few years.

The industry has done a good job in selling A&S to individuals but it has fallen down in the sale of business interruption which is actually accident coverage vital to business, Mr. Roberts said. He added that the need is often in inverse ratio to the size of the business. The small merchant the baker, barber, tailor and many other entrepreneurs often do not buy the coverage on the ground that they cannot afford it. The converse is more likely true.

He cited Dun & Bradstreet figures on businesses without adequate insurance protection which suffered severe losses, and said that 43% never reopened following the loss, and 40% continued in business but with impaired credit and reduced income. Only 17% continued with full facilities and credit. The significance of the figures becomes more apparent, he continued, when it is realized that a high percentage of all physical property is covered for fire and EC even though in insufficient amounts.

"A great deal of the void in insurance protection with respect to property values and the consequences of their destruction reflects the failure of the industry to sell business interruption coverage properly. Today there are literally thousands of risks which run inventories and have property values that are less than the exposure to earnings which would diminish or cease were there a serious interruption of business. The destruction of tangible property is easily explained to insured, but sometimes it has not been so easy to convince him to anticipate and insure his loss of earnings if the physical property is destroyed," Mr. Roberts declared.

He asserted that failure to do a more effective selling job is due to unfounded fear that the sale is fraught with pitfalls because the coverage is too complicated. The feeling that it involves unusual accounting features has been an impediment, he said, but actually the only accounting knowledge necessary is understanding of elementary profit and loss statements.

"Another deterrent has been the feeling of some producers that they might jeopardize other accounts if their handling of business interruption exposes a lack of knowledge," he continued. "This seems to be the poorest excuse of all." He referred to educational efforts to put insurance on a professional plane and said the disinclination or inability to sell this important form of protection is a serious block to this goal.

Brokers Fight Federal Takeover Of Business

Representatives of National Assn. of Insurance Brokers have conferred in Washington with Department of Defense and the general accounting office on government competition with private insurance.

The brokers are concerned over regulations promulgated by the department for government assumption of risk of loss of contractors' property in the government procurement program. The government has argued that because of progressive payments and because the completed product is to belong to the government, the latter is only following its historical practice of non-insuring its own property to save funds. However, in most cases the property is actually that of the private contractors, according to the brokers.

This new practice, if carried to its logical conclusion, could deprive private insurance of all government contractors business, contrary to the announced policy of the administration not to compete with private industry, the brokers' association holds.

It was agreed that the informal conferences are to be followed up by a formal protest to be made jointly by the major segments of the insurance industry.

Addresses Cleveland Board

Frederick E. Jones, president of Buckeye Union, spoke on "Automobile Insurance—Challenge and Opportunity," at the June 10 luncheon of Insurance Board of Cleveland at the Manager hotel.

Fla. Mutual Agents Back Larson On Rates

Florida Assn. of Mutual Insurance Agents adopted a resolution commending Commissioner Larson for his handling of rate increases, at its annual convention at Miami Beach. Commissioner Larson in his convention address had asked for strong methods to promote traffic safety.

Another resolution called for separation of rating under the assigned risk plan from normal business so that the plan could realistically reflect experience.

Tom A. Stang of Jacksonville was elected to succeed Don Elliott, Miami, as president. Other officers elected are Joseph Fant of Bradenton and Doyle E. Conner of Starke, vice-presidents, and Alan D. Fulton, Coral Gables, secretary-treasurer.

Frank Copeland, director of the national association, gave a comprehensive report of the work of the legislative committee and outlined plans to continue assistance on the recodification of state insurance laws.

George R. McKiever, recently nominated as national director, was chairman of the convention. Members heard addresses by Robert M. Taylor, president of Mill Owners Mutual, and William Stringfellow, assistant general manager of NAMIA, and a panel discussion which included Paul H. DuBuc, vice-president of Shelby Mutual; Richard S. Weiss, vice-president of Consolidated Mutual; P. J. Brown, southeast manager for Northwestern Mutual; Mr. Stang, Fred B. Harnett of Coral Gables, and John Gray of Ocala.

War Risk Reinsurers Note Strife, Near East Threats

William A. Bonner, Chubb & Son, chairman of American Cargo War Risk Reinsurance Exchange, told the annual meeting that the Indonesian civil war and the situation in the near east had been giving the underwriting committee serious concern. During the past year the exchange reinsured cargo war risks with values of more than $12 billion, and at any given time it was estimated that total liability would probably exceed $1 billion.

Mr. Bonner and other officers and committee chairmen were reelected.

Insurance Brokers Assn. of Illinois held its annual golf outing at St. Andrews Country Club on June 12. Numerous prizes are donated for the affair each year by companies and agencies and allied segments of the business. Wirt W. Stafford of Chicago is golf committee chairman.

Whatever your client wants—
whether it's Life or A & S protection,
Individual or Group . . .

NEW YORK LIFE HAS IT!

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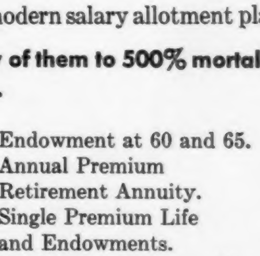
. . . plus a complete line of modern, low-cost life insurance plans, many of them to 500% mortality, with attractive commission arrangements.

- Income Security—10 to 50 years decreasing term insurance.
- Family Income and Mortgage Protection Riders—20 Years and to Age 65.
- Ten- and Twenty-Year Term Riders.
- Five-Year Renewable and Convertible Term (Minimum $5,000).
- Mortgage Protection Term (Minimum $5,000).
- Modified 10-Year Term—Whole Life (Minimum $10,000).
- 2, 3, 4 and 5-Year Term—Whole Life (Minimum $10,000).
- Assured Accumulator (Minimum $10,000).
- Whole Life with Family Protection Benefit (Minimum $10,000).
- Whole Life with Seven-Year Double Protection (Minimum $10,000).
- Double Protection to Age 65 (Minimum $2,000).
- Whole Life (Minimum $10,000) Issued Ages 0-70 except in New York . . . not issued prior to Age 10.
- Life Modified Three (Minimum $5,000).
- Limited Pay Life—10, 15, 20 and 30-years and to Age 60, 65 or 85.
- 20-Pay Endowment at Age 65.
- Endowments—10, 15, 20, 25, 30 and Endowments at 60 and 65.
- Retirement Income Endowment at 60 and 65.
- Annual Premium Retirement Annuity.
- Single Premium Life and Endowments.
- Single Premium Annuities.
- Juvenile Plans—including Estate Builder (Insurance Builder in New York).
- All forms of Group Coverages —including group annuities, group creditors and paid-up life.
- Personal Accident and Sickness Coverages, including Major Medical and Individual and Family Hospital Expense.
- Pension Trust and Profit-Sharing Plans with 16 new plans of insurance and annuities available.

Many of the above *Life Plans* available on a non-medical basis—up to $15,000 through Age 30



"Eager to serve"

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Finds Real Shortage Of Actuaries; Few Engaged In Fire, Casualty Insurance

A very real shortage of able and qualified actuaries has made it profitable for unqualified persons to call themselves that, Laurence H. Longley-Cook, actuary of North America, told Casualty Actuarial Society at its meeting in Skytop, Pa. In his paper on the employment of property and casualty actuaries, Mr. Longley-Cook said statistics show that of the fellows of the society employed by insurers, who have been qualified for at least five years, 45% have the rank of vice-president or equivalent.

Martin Bondy, assistant actuary of the New York department, discussed use of 10/20 experience in the establishment of territorial relativities for auto BI rates.

Mr. Longley-Cook said that the shortage of mathematicians and the attraction of science and industry have combined for many years to limit severely the number of young men who can be persuaded to enter the actuarial profession and as a result there is a very real shortage of able, qualified actuaries.

"In property and casualty insurance, the regulatory and competitive problems arising out of the McCarran act and the introduction of multiple line underwriting have led to a notable need for actuarial advice, and at the same time have subjected rate making to political and opportunist pressure," he stated. "Unqualified persons are indeed finding it profitable to call themselves 'actuary.' "

While the 1958 year book of Casualty Actuarial Society shows 186 fellows, this figure gives a false impression of the number of qualified actuaries actually engaged in property and casualty insurance. At the end of 1957, he said, after excluding fellows of Society of Actuaries, actuaries employed by life companies and those retired, six fellows of Casualty Actuarial Society were in state employment, 23 were employed by rating and advisory bureaus and 78 by fire and casualty insurers. A further 15 fellows were consultants or were employed in industry, as investment counselors, and in other capacities, he added.

Says Rate Supervision Suffers

Of the six actuaries in state employment, only four were on state insurance department staffs, which can hardly be said to provide a satisfactory staff for proper rate supervision, he stated. He noted that there were six qualified actuaries on insurance department staffs eight years ago.

The 23 actuaries employed by rating and advisory bureaus compares with 13 similarly employed eight years ago. But part of this increase is accounted for by the inclusion of five senior fire rating bureau officials who were elected fellows of the society as a result of the expansion of the examination syllabus in 1951 to include property insurance. There seems, however, little indication that the fire bureaus are encouraging young employes to become members of the society or are seeking qualified actuarial advice, Mr. Longley-Cook said.

Analysis of the qualified actuaries employed by fire and casualty company groups showed that one group employs 10 or more; three, five to nine; three, three or four; seven, two; and 23, one.

A total of 78 actuaries are employed in 37 companies compared with 55 actuaries in 29 companies eight years ago, the analysis showed.

All the actuaries employed by an

(CONTINUED ON PAGE 42)

Va. Sets Rate To Protect Drivers Against Uninsured

Virginia insured drivers will pay a $6 basic premium after July 1 for mandatory additional coverage against uninsured motorists. The fee, set by the state corporation commission, covers PDL, with $200 deductible and BI with 10/20 limits, which will rise to 15/30 in mid-1959 under the new law.

After Oct. 1 uninsured drivers will pay $15 into a fund, created to pay the cost of the extra protection for insured drivers after the first year of the program.

Founders Mutual Cas. Elects

Founders Mutual Casualty of Chicago at its recent annual meeting of members elected L. Carlton Mertz as president and A. J. Rumley Jr. vice-president. Henry P. Carmichael, general manager, was also elected a vice-president. Reelected were Duane T. Molthop, treasurer; C. A. Howe, secretary, and Caroline Egan, assistant secretary. C. T. Milles, president of the foundry company bearing his name, was reelected to the board and R. H. Lempuhl, president of Sheffield Foundry Co., was elected a new director.

Ala. Super Market Blaze Uninsured

In the fire which wiped out a block of Birmingham, Ala., business houses on Sixth avenue between 12th and 13th streets on April 19 for total estimated damages of $700,000, two uninsured super markets—Brocato Brothers Grocery and Jo Jo's Market—were destroyed with a loss in excess of $100,000. Baggett's Food Store, an occupant of the same building, suffered an insured loss of $5,000. The building itself was uninsured and was a total loss.

Buildings housing two truck terminals—Decatur Transit Co., where the fire was discovered shortly after midnight, and Hall Motor Express—were burned out and were uninsured. John Bailey's Garage and other businesses in the block were also destroyed.

Decatur Transit Co. had an insured loss of about $6,000 on several tractor and trailer units, as well as a cargo loss of approximately $15,000 carried in stock companies. Hall Motor Express suffered estimated tractor and trailer unit losses of $6,500 and a cargo loss of $25,000—all insured in reciprocals.

Office contents of the two truckers were insured for a nominal amount, and the loss was between $6,000 and $8,000.

No North America Appeal In N. C. Deviation Denial

North America has dropped its appeal from Commissioner Gold's order denying a renewal of its 5% deviation on fire and extended coverage in North Carolina.

After the rejection, based on the company's failure to show it was making a profit in the state, both the company and North Carolina Fire Insurance Rating Bureau had indicated the possibility of appeal to the courts.

In a letter to its agents, North America said serious questions in rate making were raised at the hearing.

"It was our contention that the same standards of rate making must be applied to our rates as are applied to bureau rates and any company should be permitted to deviate to the extent justified by differences in operating expenses from that of bureau companies. On the other hand, the bureau contended that the results of the deviating company alone could be considered without reference to bureau results.

"It was the bureau position that North America's deviation was not justified since it could be shown that North America's loss ratio, plus operating expenses, had in the past produced a ratio in excess of 100%," the North America letter to agents stated. "It was further claimed that no consideration should be given the evidence that our loss ratio and operating expenses were both less than those of bureau members.

"If this theory is upheld, the question may arise of whether it places bureau companies in a position to keep rates below a point of operating profit until deviating companies are brought into line," the company wrote. "It remains our firm belief that, since reasonable latitude in rate making is not only in the public interest but is also required in our business system, it will become available in North Carolina," the letter concludes.

New York Mariners Club at its final meeting of the season in New York City heard Joseph Bender, assistant manager of Multi-Peril Conference, speak on package policy developments and the past, present and future of the multiple line concept.

Mercantile Block Gets Eye Of Alarm Assn.

National Burglar & Fire Alarm Assn. at its recent annual convention in Chicago had as one of the outstanding highlights on the program a forum on mercantile block, with specific phases of this type of cover presented by Chicago insurance men. D. D. Pillsbury, burglary division manager of National Bureau of Casualty Underwriters, was in over-all charge of this session.

According to Mr. Pillsbury, discussions of various types of insurance cover at the annual meetings in years previous had been somewhat abstruse, so this year an actual case history was given in each of its various phases by the "insurance clinic specialists."

H. C. Fasse, associate manager Ins. Co. of North America, handled the history and development of the block policy; Carl Peterson, manager marine and burglary department Associated Agencies, submitting the risk; J. L.

(CONTINUED ON PAGE 32)

Insurance panel shown at annual meeting of National Burglar & Fire Alarm Assn. at Chicago, front row from left, Carl Peterson, Associated Agencies, J. L. Mowatt Jr., Aetna Fire, and R. R. Ayles, Royal-Globe. Rear, from left, H. C. Fasse, Ins. Co. of North America; Harold L. Bredberg, Bredberg Reports; D. D. Pillsbury, National Bureau of Casualty Underwriters; L. A. Reid, Western Adjustment, and William Hanney, Zurich. With the exception of Mr. Pillsbury, all are from Chicago.

North America Shifts Top Accounting Staff

A. Ross MacLeary, formerly chief accountant of North America and Philadelphia F.&M., has been named manager of treaty reinsurance accounting, a newly created post. He is succeeded by Edwin H. Patterson, formerly assistant chief accountant of the fire and casualty companies of the group. Robert E. Ralston Jr., formerly of the comptroller's department, has been named assistant chief accountant.

Fred Schmidt, also an assistant chief accountant, has been assigned additional responsibilities in connection with streamlining and coordinating the accounting of the group.

Mr. MacLeary began in 1920 with Central of Baltimore, which was absorbed by North America in 1931. He was at the New York office from 1945 to 1948 when he was assigned to the home office.

Mr. Patterson joined the company in 1951 after accounting experience with Ricker-Sheldon & Co., Philadelphia.

Mr. Ralston has been with the company since 1946 as an internal auditor and in the comptroller's department.

Mr. Schmidt has been with the company 34 years.

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F. A. Sickles, a photographer of Maplewood, Mo., addressed a luncheon meeting of **Southwest Illinois Claims Men's Assn.** on "Use of Photographs in Defense and Prevention of Law Suits."

M&C Rates Revised In Several States

National Bureau of Casualty Underwriters has revised rates for M&C liability for several states and for elevator liability and OL&T as well as M&C for Illinois, all effective May 28.

Mutual Insurance Rating Bureau has revised M&C rates in five states, effective the same date.

M&C rates for BI filed by National Bureau call for a 10% reduction in Alabama and Oklahoma and increases elsewhere—5.7% in Arizona, 4.7% in Colorado, 3.2% in Delaware, 30% in Illinois, 15% in Iowa, 4.2% in Massachusetts, 2.9% in Mississippi, 5.7% in New Mexico, 4.7% in North Dakota, 10.3% in Ohio, 10.6% in Pennsylvania, 14.2% in Rhode Island, 3.2% in West Virginia, and 5.7% in Alaska.

The rates reflect payroll limitation rule changes except in Iowa and Oklahoma.

PDL rates for M&C in these states, other than Iowa and Oklahoma, are adjusted to reflect only the effect of the estimated increase in payroll resulting from the payroll limitation rule changes, and there is no change in present PDL rate level. The payroll rule revisions are those adopted by National Council on Compensation Insurance and local state rating bureaus for workmen's compensation. The revised rules provide for an increase in the amount of payroll to be included for premium computation purposes for each employe from the present limit of an average remuneration of $100 per week to $300 per week for each employe. The minimum amount per week for each executive officer is changed from $30 to $50 and the maximum amount from $100 to $300, and the fixed annual amount under the "individual insured or co-partnership" rule is changed from $3,600 to $5,200 each.

Elevator PDL and collision rates are reduced 25% in Illinois. BI rates for elevator are increased 29.9%, primarily to reflect increased inspection costs.

OL&T rates for area and frontage classifications are increased by National Bureau for Illinois. Frontage is eliminated as a basis of premium in Illinois for all classifications currently rated on the dual basis of area and frontage.

Mutual Bureau's BI changes for M&C (PDL does not change) result in a 3.1% decrease for Arizona, a 4.6% increase in Colorado, a 4.4% decrease in Delaware, a 3.1% decrease in New Mexico and a 4.6% increase in North Dakota.

The payroll limitation rules of the M&C manual have been revised to make them jibe with the recent changes in the comparable rules applicable to WC.

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Claims Men Elect

Philadelphia Claims Assn. has elected Elmer F. Murphy Jr., Keystone Automobile Club, president; James P. Kuhn, New Amsterdam, secretary; Thomas G. Parris, Employers, treasurer; and Peter P. Conway, Eureka, chairman of the executive committee. Also named to the latter committee were Joseph F. Walker, Hartford Accident; C. E. Seeton, Pennsylvania Manufacturers, and George B. Jacoby, Philadelphia Gas Works Division.

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Insurance Women of Memphis have elected the following officers: Margaret Thompson, president; Hilda Smith and Sara Fazzio, vice-presidents; Mary Miller, treasurer; Lynn McKee, recording secretary, and Katharine Droke, corresponding secretary.

'Post' Spotlights Discriminatory Rates Blue Cross Pays For Hospital Service

The Blue Cross system of getting 5 to 15% discounts on hospital services, thereby boosting the amounts paid by non-subscriber patients, insurance companies and charitable contributions, is spelled out for the edification of some 5½ million readers in the June 14 *Saturday Evening Post*.

This discriminatory situation has long been known in the insurance business, but it is the first time it has been broadcast to the general public on so wide a scale. For millions of the general public it will be their first opportunity to learn whether they are beneficiaries or the victims of this form of discrimination.

Writer Milton Silverman, in the second article of a three-part series, "The *Post* Reports on Health Insurance," pointed out that Blue Cross enjoys a preferred relationship with its member hospitals and that leaders in the field have scored "the widespread though unpublicized system of hospital rebates to Blue Cross."

Tells Of Rebates

"Under this system," the *Post* article continues, "patients with Blue Cross are generally charged from 5 to 15% less than are patients with commercial insurance or with no insurance at all. To make up for the deficit, the hospitals usually raise their prices to non-Blue Cross patients, run money-raising drives or turn for help to the local Community Chest."

Both insurance companies and employers, the article says, describe Blue Cross rebate system as "a low blow and an outrageous discrimination."

The insurance business however, did not escape completely unscathed in the *Post* article. After citing several instances in which administrators had been milking labor union health and welfare funds, some almost to the point of bankruptcy, the article stated that there were several cases where "insurance agencies or insurance companies were found to be so hungry for the union's health insurance business that they bribed union officials with secret rebates or commissions."

While the *Post* quite fairly did not belabor this point, the magazine did overlook the fact that the kickback arrangement was primarily the brainchild of racketeering fund managers and not a policy which is encouraged by insurance agents or their companies.

Abuses Related To Rates

These and other abuses, the *Post* article said, have a direct relationship to the perennial need by insurance companies for an increase in rates.

Doctors, patients and hospitals were each accused of helping to add considerably to the burden of health insurance costs.

Gouging, the article reported is a far too prevalent practice among some unprincipled doctors once they learn that patients are covered by health insurance programs. This is a racket among certain surgeons who automatically increase their fees by as much as 50 to 100% when they realize that either Blue Cross or an insurance company is footing the bill.

Some doctors, the *Post* article revealed, have a set range of fees for

(CONTINUED ON PAGE 36)

Rocky Mountain Auto Assigned Risk Plans Elect

The three automobile assigned risk plans managed by R. C. Shurtleff—Colorado, New Mexico and Wyoming—elected new governing committees at their annual meeting in Denver.

Those elected, the same for all three plans, are: Mutual Insurance Rating Bureau, Liberty Mutual (Oscar Swanson, chairman); National Bureau, Fidelity & Casualty (Douglas Drayton); National Assn. of Independent Insurers, State Farm Mutual (W. E. Searle); all other stock insurers, Western Casualty (C. D. Dahmer), and all other non-stock insurers, Manufacturers & Wholesalers Indemnity Exchange (T. W. Gibb).

Pa. Holds Excess Reserves Taxable

The attorney general of Pennsylvania has ruled that excess reserves of insurance companies are assets instead of liabilities and therefore subject to an annual tax of five mills. The opinion specifically applied to a case growing out of the appeals of three mutuals, unidentified because of legal restrictions until a public hearing is held, but believed to be in the automobile field.

Officials said the ruling sets a new pattern for valuing capital stock of companies on which the annual state tax is collected and establishes a new method of assessment for taxing purposes under the capital stock law. Millions would be involved if this theory of taxation is extended to all companies.

The opinion stated that most mutuals were no longer true mutuals since they set aside reserves for expansion and exist for other purposes than to write coverage at cost for policyholders.

The ruling made three points:

1. Even if the companies in question were true mutuals, those portions of their reserves accumulated for non-mutual purposes or from non-mutual sources are to that extent not to be regarded for tax purposes as legal liabilities accruing to policyholders by reason of membership.

2. The by-laws or policy contracts of these companies do not warrant a capital stock tax treatment of the excess reserves in question differing from that used for the capital and paid in surplus. The facts indicate that the reserves are related to more than the mere possibility of extraordinary losses, and the legal liability accruing to policyholders is limited to the extent of the actual insurance benefits and protection conferred by such reserves upon the policyholders.

3. Policy provisions relating to fire and casualty liability have not given policyholders a contingent interest in excess reserves which creates, under proper accounting practice, a legal liability accruing to them.

These points contributed to the conclusion that reserves maintained in excess of those required by law should be considered part of the equity of the company in the settlement of capital stock taxes.

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M. R. Giblin, state agent of Loyalty group, discussed "Comprehensive General Liability" at a dinner meeting of **Dodge County (Wis.) Assn. of Insurance Agents.**

Information Folder Widely Distributed

Response to the pamphlet, "You're Covered," developed by Insurance Information Office of Connecticut to inform newspapers, radio, TV, advertising people and others that they can obtain facts and features from the office, has exceeded expectations. The state has only 90 newspapers and about 20 radio and TV stations, and the initial printing of 1,100 was ample for them and other media. However, orders from insurers for distribution to agents in the state and key home office personnel led to reprinting.

The pamphlet explains the purpose of the office, which is to promote public understanding of the business and to ascertain public opinion about it. In this effort the activities of the 32,000 insurance people in the state will be highlighted.

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William Style, **Western Adjustment,** spoke at the annual dinner meeting of Insurance Women of Kenosha, Wis.

Ga. Rating Bureau Pans Legislative Report

Georgia Inspection & Rating Bureau has commented on that section of the state legislative insurance committee report which deals with fire rates. The committee found that the increases last January were granted without hearing or investigation by the insurance department, with the exception of conversations with the members of rating organizations and whatever investigation the insurance department was able to make during the interval when the proposed increases were under study. In a bulletin to companies and agents the rating bureau explained that these "conversations" were full and complete discussions of each aspect of the filing and its effect on rates.

The legislators found that the increases in some instances were not substantiated by the filing. The rating bureau pointed out that the committee admitted that rate making is a complicated process and that it was unable to review completely either the complex rate structure or the rate filing. Even after this admission of its inadequacy it proceeded to draw the conclusion that the rate increases were not justified.

In reaching this conclusion the committee used an unadjusted and incomplete 53.4% fire loss ratio for the years 1952-1956 when actually the premiums earned during this period adjusted to rates in effect in 1956 indicated a loss ratio of 59.2%, the rating bureau stated. The bureau also held that the committee's disapproval of the increases was in effect disapproval of rate making procedures, not only in Georgia but elsewhere for many years.

Recommend Public Hearings

The committee also recommended that the commissioner be required to hold public hearings after due notice on all rate filings. In reply, the rating bureau said: "What is the purpose of a public hearing? Is it to be a sort of town meeting at which various and sundry persons can express their opinions as to the changes proposed?"

The review of whether or not a rate increase is warranted should be made by persons with adequate knowledge of rate making procedures, the bureau added, and this is the function of an insurance department.

"The problem is not whether the general public approves of changes, but whether the changes are justified by the experience of the companies. No reason was advanced by the legislative committee as to why public hearings would be in the public interest," the bureau stated.

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Fantini Advanced

Employers Liability has appointed Clifford A. Fantini assistant superintendent of the middle territory claim department at Philadelphia. He joined the company in 1943 as an adjuster, and he has since served as supervisor of salvage claims, superintendent of the Harrisburg claim office and supervisor of liability and salvage claims at Philadelphia.

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WC Decision By New York Concerns Insurers Of All Lines

(CONTINUED FROM PAGE 1)

reserves accumulated over the preceding 10 years. Here also the department argued that a 5-year base and not a 2-year one should be used, though the 2-year base long had been used in New York and elsewhere. (The 5-year base would justify no rate increase.) The department told Blue Cross to use up its free surplus (which it has been doing at a $3 million a month clip) though it conceded that maintenance of a free surplus was indicative of prudent management.

In the workmen's compensation decision departmental witnesses flatly charged that the private insurers had "overcharged" employers of the state almost $100 million for WC in 23 years. The tone of departmental remarks on many occasions was tart and editorial. For example: "It would seem that the board (the rating bureau) has confessed that policyholders are overpaying millions of dollars each year." At one point counsel for the rating bureau protested the use of such terms.

Principal witness for Compensation Insurance Rating Board was Edward S. Allen, assistant general manager and actuary; for the State Fund, Hyman Meyerson, chief actuary; and for the department, Frank Harwayne, chief casualty actuary. John P. McGrath and Denis Sullivan appeared as counsel for the board and George J. Gross for the department. Julius S. Wikler, now superintendent, conducted the hearings.

After four days of hearings, the first of which occurred Nov. 20 and the last Feb. 13, and after 500 pages of testimony plus a number of exhibits, Mr. Wikler ruled against the board. He found that though the rating law provides for inclusion of, among other things, the experience of other insurers or rating organizations, or any other relevant factors, that the experience of the State Fund was not "relevant." He concluded that because State Fund's experience is consistently worse than the average of private insurers, it is different in nature. He pointed out these additional differences, that State Fund is not organized for profit, its rates are not regulated by the insurance department, and it cannot refuse to accept risks though private insurers may.

(Although the department strongly urged the difference between the fund and the stock insurers on the profit element, it avoided any comparison between the fund and the mutuals on this point.)

Wikler Quotes Harwayne

Mr. Wikler in his decision quotes Mr. Harwayne, that the rating board, in adding the poorer experience of the fund to the better experience of private insurers, is adding "oranges and apples." Mr. Harwayne testified that the rate bureau makes rates for stock and mutual insurers to satisfy their needs. He questioned whether the board had the right to use the experience of the fund. There is, he said, a great deal of money at stake.

Mr. Wikler ruled that inclusion of fund loss experience "inflates the rates applicable to private carriers and, therefore, should be excluded from the experience compiled by the board for rate level purposes so that the resulting rates will comply with the rating standards prescribed in the insurance law." Inclusion of fund experience "results in inflated premiums which justifies the conclusion that the premium rate filings are excessive."

(On this reasoning, why not exclude assigned risk experience in automobile liability? In effect the department is saying that by taking fund experience out of the WC pot, private insurers will have to charge lower rates. But won't the rates of the State Fund have to be increased—or its discounts lowered—to offset the decline in private insurer rates? This seems to be the case—less the underwriting earnings on the class, which testimony showed to be modest over the years.

AR Business Noted

(The assigned risk business written by the fund constitutes a very small fraction of its WC business. Theoretically, the fund writes all assigned WC risks, but in actual practice, it is contended, private insurers write many risks of assignable character, for business reasons. It is also pointed out that the rating factor for assigned WC risks in the state is around .6 of 1%.

(If lower rates for private insurers force more marginal business into the fund, as Mr. Meyerson and others declare it would, and the fund has to reduce its discounts from manual, who is paying for the change effected by

D. C. Rating Bureau Moves To Check Flat Cancel Evil

Kenneth R. Underwood, manager of Insurance Rating Bureau of District of Columbia has advised producers there of deep concern over the flat cancellation evil and has called for reduction in the waste of time, effort and expense.

He suggested that one way of solving a part of this problem is to handle cases, where possible, as spoiled policies rather than flat cancellations. He said that when a policy is not delivered due to strike-overs, erasures or because it is not wanted, and when the company copy of the daily has not already been sent to the bureau, it should be stapled to the policy, marked spoiled and sent to the company to reduce checking and entry procedures.

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the department? Employers, policyholders. Would they be the marginal risks? Perhaps it can be argued that they ought to pay more, but since the State Fund competes for every kind and grade of risk and uses solicitors to go after it, this is not likely to happen. Perhaps some of the very best risks will come out of the fund into the private market, further tending to lower the quality of business in the fund.

(Because the department in this decision and in those affecting the auto insurers and Blue Cross expressed more than passing interest in the accumulations of insurers over the years, it is noted that the State Fund by last year end had accumulated $305,226,839 of assets, which makes it one of the largest insurers writing business in the state and by all odds the largest insurer writing business in New York state exclusively. At year end it had $202,762,798 in reserves for unpaid claims, a $6 million catastrophe reserve, and a surplus of almost $30 million. It wrote $58,409,135 in premiums last year and earned $8,735,828 on investments. It paid $4,011,611 in dividends and $7,206,760 in administrative expenses.

(As to the $100 million of so-called "overcharges" by the private insurers in 24 years, beginning with 1933, this dollar amount was computed against manual rates and does not take into account retrospective discounts, dividends, etc. Also, the $100 million represents around three points or less of total WC premiums for the 24 years.)

On the point of the superintendent's power to get further into rate making, a power challenged by the rating bureau under the law, Mr. Wikler found ample authority in the statute for his purpose. The board contends that it is the rating bureau's function, and not the superintendent's, to make all implementing decisions dealing with rate-making, and any decision it makes cannot be over-ruled without clear and convincing proof that it conflicts with the policy enunciated by the legislature.

Wikler Replies

To this, Mr. Wikler replied in his decision: "In dealing with the statutory authority of the superintendent over rate filings, it is manifest that the legislature has expressly conferred the power on the superintendent to order an adjustment of rates which do not conform with the statutory standards. The rating law does not limit the exercise of the superintendent's judgment in determining whether to approve the rates contained in a rate filing. Section 184 of the insur-

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ance law calls the action to be taken by the superintendent 'approval.'

"This requirement for approval carries with it a discretion to refuse to grant such approval if in the judgment of the superintendent it is improper to give such required consent. The statute clearly gives the superintendent power as broad and comprehensive as the statute itself."

Mr. Wikler also decided that the statute gives him the authority to decide what supporting information he might accept or reject. "In order to make clear that the superintendent's power and duty transcended the mere clerical computation to which the board's contentions would apparently limit him, the legislature specifically provided that the rating law should be liberally construed in the light of its purpose 'to promote the public welfare.'

"The function of the superintendent is to consider the rate filing as a representative of the public. He is under a duty to apply the statutory standards, but he looks at it primarily from the point of view of the public and its advantage. This is a proper purpose of state regulation of the insurance business, which restricts management in almost every detail for the protection of the public. This broad control by the superintendent over rates is made more manifest by references to section 186 which grants him the authority to revise rates and order them 'appropriately adjusted' whenever he finds they are excessive, inadequate or unfairly discriminatory. This continuing control over rates is plainly inconsistent with the empty formalism to which petitioners would restrict the superintendent when passing upon the propriety of a rate filing."

However, though fund experience is to be eliminated for the purposes of determining WC rates charged by private insurers, the latter, he decided, will continue to use the fund experience to determine classification relativity. This is, he stated, "for the purpose of distribution of loss costs fairly among the large number of minor classifications included in the 700 board classifications."

(Thus, the alteration in the process of rate making is aimed exclusively at reducing the rates charged by private insurers.)

Fundamentals Dealt With

Since the testimony at the hearings dealt with fundamental rate making principles and procedures, some of it is reported herewith.

Mr. Harwayne testified that the effect of excluding the State Fund experience would be a rate reduction for private insurers. The extent of that reduction is as much as 8.3% for 1933 and is somewhat less for most of the other years, in a period 1931-1954. In the postwar years alone, on the fifth report basis, which is the most mature reporting, the exclusion of State Fund experience would have brought board rates down by 4.2% in 1947, 3.4% in 1948, 3.1% in 1949, 4.2% in 1950, 3.3% in 1951, 5.2% in 1952, 5.8% in 1953, and 7% in 1954.

In the last 10 years only, for stock companies alone, the amount of money involved is $38,141,000. This Mr. Harwayne said, means that policyholders insured in stock companies at board rates which include fund experience have been "overcharged to the extent of more than $38 million."

24-Year Period Noted

For the 24-year period stock company policyholders were overcharged $55,190,000, he said. Mr. McGrath objected to the "obnoxious expression" of "overcharge." He added that he thought "the use of such conclusive language should be avoided." Mr. Wikler agreed with him.

Mr. Harwayne testified that in the last 10 years the initial premium charge to policyholders by mutuals was $33,774,000 more than if fund experience had been excluded, and for the 24 years $44,272,000. For stock and mutuals the figure was $99,470,000, he declared.

Another exhibit which the department put in, showed, according to Mr. Harwayne, that the difference between the experience of the fund and that of other insurers was as much as 41.1%. For the years beginning with 1947, this percentage difference was 17.8, 14.1, 12.1, 16.6, 13.2, 20.4, 22.9, and 27.1.

Experience Is Dissimiliar

Mr. Harwayne strongly urged the view that the experience of the fund and that of private insurers is so very dissimilar that to mix them for rate making purpose "is like adding apples and oranges."

If the State Fund does not have the worst WC loss ratio, why is different in nature and substance from the other companies writing insurance of this character, Mr. Harwayne was asked. He replied that the fund is quite different in substance, quite different in its actual experience for each of the years 1932-1954.

Mr. McGrath pursued his question by stating that "the difference between an orange and an apple being one of nature and substance, if its

New Oklahoma Handbook Published

A new Underwriters Handbook of Oklahoma has just been published by the National Underwriter Company. It provides complete and up-to-date information on the agencies, companies, field men, general agents, groups and other organizations affiliated with insurance throughout the state. Copies of the new Oklahoma Handbook may be obtained from the National Underwriter Company at 420 East Fourth street, Cincinnati 2, Ohio. Price $12.50 each.

experience is hemmed in by companies having worse experience on one side and companies having better experience on the other side, how is the fund different in nature?"

Mr. Harwayne replied that the fund experience does not fulfill the average requirements of companies for which the board is making rates. At another point he noted that the experience of self insured WC risks is not used by the board.

Mr. Meyerson suggested that if the fund were excluded from the experience of the board, it would have a serious effect on experience rating. During an experience period there are risks that have been with the fund part of the time and with a private insurer for the remaining part. Are there to be two separate and going experience rating plans for one risk? If the risk transfers from the fund to a private insurer during the experience period, which experience rating formula would prevail in determining the experience charge and credit? This would create an uncontrollable competitive disorder bound to leave its mark not only on the insurance business but on the regulatory agencies as well, Mr. Meyerson emphasized to Mr. Wikler.

Are 700 Manual Classifications

Mr. Meyerson observed that there are 700 manual classifications in New York, 150 major ones producing about 75% of the premium, and about 550 minor classifications producing the remaining 25% of the premium. He said that presently there is uniform underwriting treatment for all risks. Replacement of this by some bi-lateral form of treatment would, he said, make private insurers unhappy, the State Fund unhappy, and very likely the regulatory agencies unhappy.

If the rate level is depressed below the average for all insurers, which is suggested by the department, Mr. Meyerson thinks that inevitably a chain reaction would almost immediately set in which would cause private insurers to become more circumspect in their underwriting standards. This would cause them to get rid of, as far as practical, risks with worse than average experience. This business would gravitate to the fund because the fund cannot reject business. This movement of marginal risks from private insurers to the fund would tend to depress the rate level of private insurers even further. Thus the gap would be widened still further between the rate level of the fund and that of private insurers.

It has been suggested that carrying this idea to its logical conclusion, private insurers would discontinue to write all WC business and the State Fund would end up as a monopoly. Mr. Meyerson does not think this would happen. His idea is that the poor risks would tend to move more generally to the fund than they do today.

Imbalance Regarded As Serious

He said he regarded it as extremely serious to create such a competitive imbalance. That is what he is afraid of, not the fact that State Fund might become a monopoly. The tendency would be for private insurers to write the preferred risks and State Fund to be reduced to the status of an assigned risk pool for undesirable risks. The fund believes the public's interest is best served by active participation by it in a strong competitive market.

Mr. Meyerson put in an exhibit which showed the average premium size for stock companies writing workmen's compensation in New York state, the average size of risk for non-stock insurers, and the State Fund. These figures were, for 1950: $326 for the stock companies, $1,051 for the non-stock companies, and $847 for the State Fund. This was on a volume of $219,674,052. In the four succeeding years, these averages were $365, $1,147, and $944; $428, $1,270, and $1,038; $465, $1,210, and $1,008, and $455, $1,150,

and $950. The total premium volume for these years, ended with 1954, was $244,606,703, $284,936,819, $298,289,464, and $284,995,375.

He testified that the State Fund competes for the same kind of business that the stock and mutual insurers do. The fund writes about 25% of the total workmen's compensation insurance business in the state. It pays a 2% premium tax.

Business Varied

Mr. Meyerson said that over the 10 year period ended with 1956, business going to State Fund from private insurers varied from about $2 million to $6 million, with an average for the 10 years of about $3.5 million annually. For the same period about $1 million annually left the fund and went to private insurers. However, Mr. Meyerson testified, this is a difficult figure to determine, and the figure is probably larger than that.

Because the department was attempting to develop peculiarities in State Fund business, Mr. Meyerson testified at one point that in spite of a very active competitive insurance market in which business shifts, "we find no evidence of a gravitation to or development in the State Fund of any segment of business characteristically peculiar to the fund, and not peculiar to private carriers. Even on surcharge premium risks we find that a substantial piece of business leaves us each year to go to the private carriers in spite of the fact that we consider them on the basis of our own experience undesirable from the standpoint of experience and we try to rate them out. We found, for example, in 1956, that between $400,000 and $500,000 of that kind of business left us in order to go to other carriers."

He added that he does not believe that there is any such thing as a typical State Fund risk. About 90% of the State Fund business is standard business and not substandard, he testified.

What are called by the fund general group risks get a 25% discount. Then there are the so-called safety groups which get a standard discount of 15% with or without dividends. Slightly more than 2% of the State Fund business is written at rates higher than those in the board manual.

Mr. Meyerson also corrected Mr. Gross in an indication that experience in the second half of the year generally is better than the first half because of vacations. Experience shows that just the opposite is true, the experience is poorer in the second half than the first half.

"Outside of the organizational similarities between the State Fund and private insurance companies, aren't there important and marked differences between the State Fund and private insurance companies, differences in principle," Mr. Gross asked.

Mr. Meyerson replied in the negative. He said in his opinion there are not two insurers even in the family of stock companies that are exactly alike, or among mutuals, and certainly there are differences between any two insurers. However, in principle, he believes the State Fund is no different. He conceded that the fund is a state agency, but denied that this made it different from another insurer.

Was Created For Public Welfare

Mr. Gross contended in his questioning that the fund was created for public welfare and a stock company is organized for profit. However, Mr. Meyerson pointed out that the fund, like a stock or mutual company, in principle was created to write insurance for WC and disability. The fact that the fund's business is confined to WC and disability does not make it any different in principle from a stock company that happens to choose a line to write or not write. He said there was certainly no difference which justified the exclusion of fund experience from rate making. He noted that any insurer could reject business, but that the fund's statutory inability to reject business has no bearing, direct or indirect, on whether it is right or wrong to exclude State Fund experience from rate making.

Mr. Gross brought out that the rates charged by the fund are not necessarily the same as those made by Compensation Insurance Rating Board. But to this Mr. Meyerson responded that stock and mutual company rates are not precisely the manual rates published by the board.

Would Be Against Interests

Mr. Meyerson expressed the opinion that it would be against the interests of the industry to exclude any segment of its experience. The industry needs the whole body of experience. "In my opinion it would not be in the best interests for the rating board or any other agency to break the whole insurance package into segments. You take something away which you can't replace."

Mr. Meyerson suggested some of the problems which might be created by the elimination of the State Fund experience from that of all insurers writing workmen's compensation. Among them are the uncertainty whether State Fund data would be available to the board for any purpose, the possibility of two separate experience rating plans, insufficient State Fund experience on 550 minor classifications which would make it unsafe to set rates for them, and replacement of the present uniform underwriting treatment for all risks by some bilateral form of treatment.

Inflates Board Rates

The department put in an exhibit which, Mr. Gross said, showed that inclusion of State Fund experience "inflates board rates by 3 to 5%." This would be $2 million or $3 million a year. Mr. Wikler asked if State Fund experience were excluded, wouldn't the rate at which the general public buys 75% of the workmen's compensation insurance in the state be lower, and Mr. Meyerson replied, yes. Mr. McGrath said that that didn't necessarily follow.

Mr. Wikler then commented, "the State Fund could then use the manual rate but give the lesser discount and still be in the same position?"

Mr. Meyerson suggested that the fund would automatically become an insurer of poor risks, which nobody wants.

Mr. Wikler in questioning Mr. Mey-

At the dinner meeting of Savings Bank Insurance Forum of New York State in New York City are, left to right: Gerard Pingerra, insurance manager Lincoln Savings Bank; Thomas D. Hughes, vice-president America Fore; J. Douglas MacLennan, insurance manager, and August M. Strung, vice-president, Bowery Savings Bank. Mr. MacLennan is forum chairman.

erson brought out that it was his opinion that exclusion of State Fund experience would lower the rates of private insurers but that the fund would have to change its discount schedule, presumably by reducing it.

"One can't divorce the State Fund from an insurance market," Mr. Meyerson declared. "We can't operate in a vacuum, as it were, and what we would do would very much depend upon not only what we would like to do, but what we might be forced to do." He said no one could know exactly what the fund would do until it faced the condition.

Called Attention To Discounts

Mr. McGrath, to clarify some of the testimony at this point, called attention to the discounts, dividends and deviations from board rates of stock and mutual insurers. To determine what the net cost of the insurance is to any given purchaser, adequate adjustments should be made for all these various practices. He declared that by no means does it follow that they are going to be buying the insurance at a lesser rate if the State Fund experience is excluded, or indeed that the rate is going to be less at all. These are all speculative matters. That the State Fund experience is inflating the rate is an assumption of the fact which is being tried, he declared.

Commenting on an exhibit which showed a rise and fall in experience and rates for workmen's compensation, Mr. Meyerson pointed out that at a time of inadequate rates there is a shift from private insurers to the State Fund of marginal risks.

Have Had Worse Experience

When Mr. Gross sought to establish a difference in character between insurers and the fund on a consistently worse experience, Mr. Meyerson pointed out that over the years there have been insurers with worse experience than that of the fund. He also testified that elimination of fund experience would not necessarily decrease the rates charged by private insurers. Mr. Gross asked if the rates for private insurers are inflated 3 to 5%, isn't the State Fund deriving a similar benefit by applying the State Fund's discount to those inflated rates? Mr. Meyerson said no because the fund is bound by law and philosophy to make rates at the lowest cost and would continue to follow that philosophy.

Mr. Gross stated that the experience of the fund is non-relevant and "adulterates" the experience of private insurers. "The resulting rates patently cannot meet the statutory standards" of not being excessive, inadequate or unfairly discriminatory," he averred. "Use of State Fund loss experience inflates the over-all rate level and improperly creates excessive rates."

Dismisses Argument

Mr. Gross also dismissed the argument that exclusion of State Fund experience would produce a competitive imbalance. He declared that "it would appear that the board has confessed that the policyholders of this state are overpaying millions of dollars each year. It has tried to justify this whole payment in terms of what dire consequences would result if this tribute were not exacted from the policyholders of the private carriers (which policyholders in no case derive the benefit therefrom). The conclusion is clear. It is distinctly contrary to public policy to force the insureds of this state to overpay millions of dollars annually in order to perpetuate the competitive advantage of the State Fund.

"Even by the conservative underestimating measures used by the board for the last four calendar years (ending with 1956) there was extracted from policyholders about six times the profit agreed upon by the board as being reasonable," Mr. Gross declared.

After quoting several excerpts from board testimony, Mr. Gross asked "What is the purpose of all this confusion? Certainly this material is not in point. What is really bothering them is that a hidden avenue of profit is being laid bare. That the rates provide a cushion and thus are excessive is unashamedly admitted."

Is Still Making Rates

Supposing, Mr. Allen said, the State Fund is receiving a disproportionate share of business underwriters would prefer not to have. What does that have to do with the use of experience on these risks in making rates? The board is still making rates for risks which should be usable by all members and certainly the board must continue to do the best it can to make rates for so-called undesirable risks written by private insurers, for agency or other reasons, and must continue to do the best it can to make rates for such risks that are written by the fund. He said it might be assumed that there is a small very hard core of extremely undesirable risks which are permanently in the State Fund because of their unwritable hazards—risks which under no circumstances would be written by a private insurer. But, he added, it is impossible at any given time to identify such risks, if they exist. Anyway, risks change from a desirable to an undesirable character and vice versa.

As to differences of practices in reserving, he said individual private insurers are not more distinctive in this regard than the fund. The results are buried in the averages. Mr. Wikler commented that historically the State Fund has shown a disposition to underestimate and stock companies to overestimate reserves for outstanding losses.

Mr. Allen noted that anything which affects reserves for outstanding losses to any appreciable extent can have quite an effect on the resulting loss ratio. For example, if such reserves are increased by 5%, the result will be a nine percentage point increase in the loss ratio. If they are reduced by 5%, the reduction in the loss ratio would be nine percentage points.

Mr. Allen pointed out that the board makes rates for risks and not for insurers.

Fund Pays More

He said the only reason he could see that would justify a rating organization in modifying the loss data of a member before combining it with data of other members to make rates usable by the majority of membership would be that the fund pays more on a claim than other insurers. But losses on a risk are adjudicated by the same state agency (Workmen's Compensation Board) regardless of what insurer writes the risk or at what premium. He does not believe the fund pays more than private insurers on a claim.

Mr. Allen testified that the board had developed data on 17 insurers which, for 15 years, had loss ratios in

Druggists Mutual Marks Its 100th Birthday

Druggists Mutual of Cincinnati held its 100th anniversary party for agents May 24. A cocktail party followed by a boat ride on the Ohio river comprised the afternoon and evening activities. A panel discussion was also held on the boat.

Agents from Ohio, Kentucky and Michigan attended the anniversary party. Richard E. Felts, secretary and general manager, was in charge of the celebration.

excess of the loss ratio of the fund. The volume written was large, though not as large as that of the fund.

Mr. Gross questioned Mr. Allen on the letter Mr. Allen wrote to California Inspection Rating Bureau asking for information that might be helpful at the New York hearing on the issue of eliminating State Fund experience. Mr. Allen asked for any information that organization might have, on a confidential basis. He stated in the letter that "we believe that any decision in New York to the effect that State Fund experience must be excluded might create a dangerous precedent which neither you nor the California State Fund would like to face for various obvious reasons."

Mr. Allen was asked by Mr. Gross to explain the term "dangerous precedent." Mr. Allen replied that this was the elimination of a member or subscriber of the rating organization. The question is, however, much broader than that since it strikes at the heart of the rating system which has been thought proper by the legislature in New York and other states.

Mr. McGrath commented that the principle involved is one of uniformity, that if averages are going to be taken for one purpose, they ought to be taken for all purposes. He said it was at this point that for the first time the department had suggested that the fund experience should be included for classification relativity but excluded for the fixing of the ultimate rate.

Profit Was Only 2.6%

At another point Mr. Gross asked Mr. Allen if the underwriting profit has not on occasion far exceeded 2.5% for private insurers writing WC in New York. Mr. Allen replied that it has far exceeded 2.5% and it has fallen far below 2.5%. For 27 years the profit was only 2.6%, he said. In recent years it has been higher than that.

There was considerable interchange about the earnings on investment of funds held as reserves against outstanding losses.

Mr. McGrath brought out that even though over the years the whole subject of WC insurance including the functions and operations of the rating board have been inquired into and examined by investigatory agencies created by the state legislature, including Moreland act commissions, it was not until 1957 that the practice of the board of including the loss experience of the State Fund for rate making purposes was questioned and the recommendation made that that practice be discontinued.

Also, he pointed out, even though the rating board periodically has been examined by the insurance department, and even though the board's rate filings have been reviewed by the superintendent every year, the issue of State Fund's loss experience being included for rate making has not been questioned by the superintendent until the then superintendent, Leffert Holz, questioned the propriety of the practice.

Cites New York Case

Mr. McGrath in commenting on the bases for the department's theory that the fund experience should not be included, cited the New York appellate court in Exporters Ins. Co. vs Rhodes, 1925. The court stated that "the rating organization is a development of insurance arising out of the difficulties of rate making based on the experience of a single company. The purpose of the law is to give all corporations authorized to transact the business of fire insurance the privilege of membership in such an organization. The privilege is a valuable one both as a matter of range of experience and of expense, since it is impracticable for one company to maintain a rating organization."

Further, Mr. McGrath said, the Merritt legislative report of 1911 stated: "The practical result (of the difficulty of rate making) is that it is impossible to make rates properly on the basis of a single company's experience. The experience of even the largest companies is not extensive enough to insure the proper working of the law of averages on all classes."

Judgment Might Be Suspect

Mr. McGrath went on to say that legislature made it quite clear that if the experience of some underwriter was excluded by the rating organization, its judgment in that respect might be suspect, but it is the judgment of the rating organization with regard to the inclusion or exclusion of loss experience which is controlling. He said that there is a serious question here as to the extent to which the utilization by a rating organization of statutory privileges or mandates can be questioned with a view to perhaps forbidding the use of such statutory criteria by a rate making organization. It raises a very serious question as to the extent to which the superintendent of insurance may under the law intrude upon the judgment of the rate making organization and the utilization of statutory criteria.

Mr. Gross counter-argued that the insurance department on previous occasions had raised the question of excluding fund experience.

Mr. McGrath, in his brief for the board, argued that the burden of proof was on the agency which raised the issue, the insurance department. Consequently, unless the proof which the department undertook to produce convincingly demonstrates that the inclusion of fund loss experience in calculating the rate level is prohibited by the insurance law, the proceeding must be dismissed. Without such proof, there would be no showing of specified illegality sufficient to enable the superintendent to order a withdrawal of the rate filing.

The applicable statutes, the board argues, demonstrate that the fund and privately owned insurers should be competitors and be treated as alike as possible for all regulatory purposes. Also, the rate making provisions of the applicable laws provide for the inclusion of State Fund loss experience in computing rates.

The board reiterated its position that the power to police rates does not include the power to make policy decisions concerning the making of rates. In this connection, it noted that in 1949, certain amendments to the insurance law which would have increased the superintendent's powers over rate filings were disapproved by the New York joint legislative committee on insurance rates and regulation, on the ground that it "would replace managerial judgment with governmental judgment."

The board argued that the department had failed to sustain its burden of proof, and that the evidence demonstrates that it would be arbitrary, capricious, and illegal to over-rule the judgment of the rating board to exclude State Fund loss experience in calculating the over-all rate level.

Mr. McGrath pointed out that from 1930 to 1952, inclusive, 23 years, private insurers sustained an underwriting loss of 2.5%, or more than $50 million. This was despite the fact that the fund's loss experience was included.

Law Refers To Risks

The board also commented that in requiring rates to be adequate and not excessive, the law refers to risks, not to insurers as such. Risk rates are required to be adequate and not excessive regardless of which insurer might at a particular time be underwriting a particular risk. Only by sheer coincidence would a rate adequate and not excessive for one insurer be equally adequate and not excessive for another. Mr. Harwayne's $100 million of "overcharges" was based on a computation that used manual premiums, but the board observes that such premiums are not paid by all policyholders—they are reduced by retrospective rating, discounts and dividends and are modified by experience ratings. No proof was forthcoming as to the amount of these reductions, but they must have been substantial in amount. Underwriting profits over the years on WC in New York state have been modest, and no more than the reasonable profit contemplated in the insurance law, Mr. McGrath declared. The net premiums actually paid by the policyholders

Amount Of Insurance Need Not Be Disclosed, Michigan Judges Hold

GRAND RAPIDS—Three Kent county circuit court judges have ruled against a plaintiff seeking to force a defendant's insurer to reveal the amount of coverage carried by its insured.

Judges Fred N. Searl, Dale Souter and Leonard D. Verdier had heard arguments in the matter May 13, Judge Searl asking assistance of his two colleagues in developing pre-trial rules inasmuch as there is no Michigan supreme court opinion involving the point.

The three jurists held that such a disclosure might be made before a notary within terms of the statute providing for perpetuation of testimony.

Suits totaling $100,000 were filed last November by Mr. and Mrs. Earl Hoskins against Richard C. Annis as the result of a traffic accident last August.

could not have been exorbitant even with State Fund experience included.

In a memorandum as friend of the court, Commerce & Industry Assn. of New York pointed out that it had a special interest in the issues in this case since its members are employers. It argued that the rates should be based on the practical experience of all the insurers doing WC business in the state, all statutes governing rate making must be construed together, and the practical construction of a statute by a department of the state government over a long period of time is entitled to great weight—if not the controlling influence. The public interest of the insurance law will be promoted if the competition between the State Fund and private insurers as it now exists is maintained by continued inclusion of State Fund experience, the association argued.

To Have Temporary Agent Licenses In Iowa

DES MOINES—Commissioner Bennett of Iowa has announced temporary agent licenses will be issued under certain cases where the company has set up field training. The temporary licenses will be for a 20-day period and cannot be renewed or reissued.

The commissioner announced the licenses will be issued only where the sponsoring company has provided an adequate training course and submits its training plan to the department.

Hose Blowoff Is Good For Payoff In Texas

The Texas court of civil appeals has upheld a county court's judgment in favor of the owners of a store in Uvalde which was flooded when a hose comprising part of the circulatory system of an air conditioner became detached. The owners sought recovery under explosion coverage of two policies with Millers Mutual Fire of Texas and Millers Mutual of Illinois. The case is reported in 9 CCH (Fire & Casualty) 557.

When the store, owned by Lee and Agnes Schwartz, closed on the night of July 12, 1956, the hose which was fastened to a pipe by a clamp was in good shape and there was no leakage. Sometime during the night it became disconnected, and witnesses the next morning stated it was "blown off." One witness gave his opinion that a pump which forced water up to a cooling tower on the roof built up pressure in the pipe until it blew off the hose. Another testified that from the way water had sprayed all over the store the connection must have parted suddenly. As no one was present at the time of the accident, whether there had been noise at the time was unknown.

The county court found that there was an "explosion" and, when the companies appealed, the higher court's emphasis was on the definition of that term. In its citation of precedents the high court said that the word "explosion" is variously used and does not admit of an exact definition since it has no definite meaning either in ordinary speech or in law. Explosion contains an idea of degree and the true meaning of the word in each particular case must not be settled by any fixed standard or accurate measurement but is to be construed in its popular sense and as ordinarily understood.

The court cited a prior case which held it was futile to split hairs on the technical meaning of "explosive." In this case, internal pressure in radiators caused them to burst, and the court held bursting to be synonymous with explosion under terms of the insurance contract and a liberal construction of the policy applied.

Based on these precedents and sufficient evidence in the case of the disconnected air conditioner hose, the appeals court affirmed judgment of $531. Clinton F. Brown, San Antonio, appeared for the companies, and David R. White, Uvalde, for the store owners.

W. Va. Holds Company To Adjuster's Agreement

Commissioner Pearson of West Virginia has ruled that a company must adhere to an agreement made by one of its adjusters.

The adjuster obtained a written release for an agreed payment from a property damage claimant and forwarded it to the home office where the claim department found contributory negligence and refused to pay. The department advised the company that the adjuster had complete knowledge of the facts in negotiating the release and the company was obligated to pay the claim, which it subsequently did. The commissioner stated in a bulletin that a release, although obtained prior to tender of payment, is a contract between the company and the claimant and cannot be breached merely because it is a "poor bargain."

Buyers Seminar At Dallas

Dallas chapter of American Society of Insurance Management will conduct an insurance seminar Sept. 12 at the Adelphus hotel. Emphasis will be on the interests of the insurance buyer. T. T. Redington Jr., Dresser Industries, is president of the Dallas chapter.

State Farm Mutual Names Edgeworth In Pennsylvania

O. A. Edgeworth has been named assistant state director of State Farm Mutual in Pennsylvania with offices at Harrisburg. He has been assistant state director for New Jersey since 1955.

Carney Named To New Kansas City F. & M. Post

Kansas City F.&M. has appointed Lynn D. Carney head of its newly created business development department. He joined the company June 1.

Mr. Carney, in the business since 1930, has been vice-president and director of Paramount Fire since last year.

Public National of Miami has discontinued writing all lines in Washington, Oregon and Idaho.

Convention Dates

June 11-14, International Assn. of A&H Underwriters, annual, Statler hotel, Los Angeles.

June 11-14, National Assn. of Public Insurance Adjusters, annual, Hotel Traymore, Atlantic City, N. J.

June 12-14, Mississippi Assn. of Insurance Agents, annual, Edgewater Gulf hotel, Edgewater Park.

June 12-14, North Carolina Assn. of Mutual Insurance Agents, annual, Grove Park Inn, and Fairway Lodge, Asheville.

June 15-17, New England Assn. of Insurance Agents, annual, Lake Tarleton Club, Pike, N. H.

June 19-20, Delaware Assn. of Insurance Agents, annual, Hotel Henlopen, Rehoboth Beach.

June 19-21, Georgia Assn. of Insurance Agents, annual, General Oglethorpe hotel, Savannah.

June 22-25, Insurance Advertising Conference, annual, Clauson's Inn, North Falmouth, Mass.

June 24-27, National Assn. of Insurance Women, annual, Statler Hilton hotel, Detroit.

June 30-July 2, Virginia Assn. of Insurance Agents, annual, Cavalier hotel, Virginia Beach.

Aug. 10-13, West Virginia Assn. of Insurance Agents, annual, Greenbrier hotel, White Sulphur Springs.

Aug. 20-23, Federation of Insurance Counsel, Fairmont hotel, San Francisco.

Aug. 21-23, Louisiana Assn. of Mutual Insurance Agents, annual, Edgewater Gulf hotel, Edgewater Park, Miss.

Aug. 21-23, Montana Assn. of Insurance Agents, annual, Northern hotel, Billings, Mont.

Aug. 24-28, Section on insurance negligence and compensation law, American Bar Assn., Ambassador hotel, Los Angeles.

Sept. 4-5, Conference of Mutual Casualty Companies, sales and agency conference, Conrad Hilton hotel, Chicago.

Sept. 8, Vermont Assn. of Insurance Agents, annual, The Lodge, Smugglers Notch, Stowe.

Sept. 8-9, New Jersey Assn. of Insurance Agents, annual, Traymore hotel, Atlantic City.

Sept. 14-16, Minnesota Assn. of Insurance Agents, annual, Hotel St. Paul, St. Paul.

Sept. 14-16, Washington Assn. of Insurance Agents, annual, Chinook hotel, Yakima.

Sept. 16-18, Wisconsin Assn. of Insurance Agents, annual, Schroeder hotel, Milwaukee.

Sept. 16-19, Mutual Loss Managers' Conference, annual, Statler hotel, New York City.

Sept. 17-19, Michigan Assn. of Insurance Agents, annual, Pantlind hotel, Grand Rapids.

Sept. 17-19, Oregon Assn. of Insurance Agents, annual, Multnomah hotel, Portland.

Sept. 19-20, Utah Assn. of Insurance Agents, annual, Utah hotel, Salt Lake City.

Sept. 22-24, International Claim Assn., annual, French Lick Springs hotel, French Lick, Ind.

Sept. 22-25, Assn. of Superintendents of Insurance of the Provinces of Canada, annual, Empress hotel, Victoria, B. C.

Oct. 5-8, Conference of Mutual Casualty Companies, annual, Chalfonte-Haddon Hall, Atlantic City

Oct. 5-8, National Assn. of Mutual Insurance Companies, annual, Chalfonte-Haddon Hall, Atlantic City, N. J.

Oct. 6-7, Conference of Actuaries in Public Practice, Morrison hotel, Chicago.

Oct. 6-8, National Assn. of Insurance Agents, annual, New Orleans.

Oct. 12-15, National Assn. of Casualty & Surety Agents and National Assn. of Casualty & Surety Executives, Greenbrier hotel, White Sulphur Springs, W. Va.

Oct. 19-21, Illinois Assn. of Insurance Agents, annual, Morrison hotel, Chicago.

Oct. 19-21, Maryland Assn. of Insurance Agents, annual, Emerson hotel, Baltimore.

Oct. 19-21, Missouri Assn. of Insurance Agents, annual, Coronado hotel, St. Louis.

Oct. 20-21, Insurors of Tennessee, annual, Claridge hotel, Memphis.

Oct. 20-22, Western Underwriters Assn., annual, Greenbrier hotel, White Sulphur Springs, W. Va.

Oct. 20-22, National Assn. of Mutual Insurance Agents, annual, Commodore hotel, New York City.

Oct. 27-29, California Assn. of Insurance Agents, annual, Sheraton-Palace hotel, San Francisco.

Oct. 27-29, Health Insurance Assn., individual insurance forum, Drake hotel, Chicago.

Oct. 28-29, Massachusetts Assn. of Insurance Agents, annual, Sheraton Plaza hotel, Boston.

Nov. 20-21, Conference of Mutual Casualty Companies, accounting and statistical, office methods, and personnel conferences, Conrad Hilton hotel, Chicago.

Nov. 24-26, National Assn. of Independent Insurers, annual, Hotel Fontainebleau, Miami Beach.

Dec. 8-12, National Assn. of Insurance Commissioners, midwinter, Roosevelt hotel, New Orleans.

Dec. 10, Eastern Underwriters Assn., annual, Biltmore hotel, New York City.

Federal has named Bernard M. Shanley, former secretary and counsel to President Eisenhower, a director.

COMMENTS TRENDS OBSERVATIONS

Aircraft Products Liability Covers Wide Range

With courts going to some lengths to fix responsibility for products failure on a component parts manufacturer far removed from the ultimate consumer, both manufacturers and insurers are confronted with a disturbing problem of liability limits, central Illinois section of American Society of Insurance Management was told by Eugene F. Gallagher at a recent meeting.

Mr. Gallagher, Chicago manager of Planet, remarked that within the next few months it is likely that a commercial jet plane will be placed in service with a maximum capacity of 174 passengers and a hull valued at $5 million. When in flight, the hull and the crew and passenger liability could reach $30 million and every manufacturer who plays any part in the fabrication of the airplane would have a potential liability.

Cites Possible Huge Claims

"If you manufacture a fuel pump, an actuating cylinder, a control cable, a tire, even a cotter pin, that finds its way into an aircraft, you cannot be assured that you are not going to be faced with a claim which could financially ruin your business," Mr. Gallagher warned the buyers. He cautioned that the manufacturer does not need to be a direct supplier to the aircraft manufacturer to find himself saddled with huge liability. It may be enough if some customer who purchases the product incorporates it in a device that eventually becomes part of the aircraft.

Mr. Gallagher said the establishment of products failure is not as uncertain as may be thought. After a crash there is an exhaustive investigation by the Civil Aeronautics Board and the airline and other interested parties. A crash could follow reports of specific trouble by the pilot while the plane is still in flight, so that no party of interest in the construction of a plane, whether the actual manufacturer, a sub-contractor, or a parts supplier, can escape the threat of liability.

Estimates 50,000 Vulnerable

This is an area in which many industries are most vulnerable, Mr. Gallagher said. It is estimated there are about 50,000 manufacturers of various products who may have reason to be concerned about the aircraft phase of products liability. Cases have involved the manufacture of fire extinguishers, for example, because of dangerous amounts of carbon dioxide accumulating in the cockpit when the device was used during flight; a manufacturer of plexiglass was named when a windshield broke, and Bethlehem Steel was involved because of alleged negligence in the manufacture of a forging.

Although there are so many enterprises having potential liability, only a small number of them have realistic products limits. Mr. Gallagher said it is admittedly impossible to secure all the coverage which could conceivably be needed—the commercial jet could crash into a filled football stadium, for example,—but there is insurance available against potential liability arising from products failure in the aircraft industry.

He reminded the buyers that one of the definite potentialities of the loss is that resulting from the grounding of a certain type of plane. If it were found that a particular type of aircraft has an inherent defect in some component part and all such planes had to be grounded, the loss of revenue to the airlines involved could be covered by aircraft products liability.

Classifying Auto Insured By Occupation Is Helpful, MISS Told

The study of automobile loss experience by occupation of insured that has been conducted by State Farm Mutual since 1949 has a definite asset value as a "continuing underwriting or risk selection control measure," members of Midwestern Independent Statistical Service were told by H. E. Curry, State Farm's vice-president, at their annual meeting in Chicago.

Figures for the policy years 1949-55 on passenger car experience cover written premiums of $856 million. Mr. Curry said the study was begun with the idea that perhaps certain occupational groups would have dominant characteristics in themselves that would be reflected in loss experience.

'Interesting Information'?

"The question naturally arises as to whether or not a study such as this yields anything other than 'interesting information," he said. "I am inclined to feel we have gleaned worthwhile facts from this study. Although rating by occupation cannot be conclusively justified, it can be determined that certain occupations can, over the long pull, be expected to return a more favorable than average loss experience and in situatons where there is a question as to the acceptabilty of a risk, the data provides some basis for appraising the relative quality. The study demonstrates that there are substantial differences in risks by broad groups and that a company can influence its underwriting results through risk selection. This underwriting discrimination need not be carried to the point of exclusion of certain occupation groups, but these data can be used as a device to maintain a reasonable balance of business within a company's portfolio," he said.

The ranking of auto insured, as developed by State Farm:

Rank All Coverages	Rank BI, PDL, & Medical	Rank Comp. & Collision	Occupation
1	1	1	County agents
2	2	7	Finance
3	3	4	Farm managers, foremen, supervisors
4	6	3	Officials—city, county, local
5	5	11	Wholesale establishments
6	8	10	Funeral directors
7	11	5	Officials—federal, state
8	12	8	Farmers
9	7	12	Engineering
10	13	9	Educators (incl. teachers)
11	4	27	Veterinarians
12	9	13	Aviators
13	24	2	Retired
14	10	16	Professional, semi-professional workers
15	14	15	Utilities workers
16	16	18	Agricultural workers, n.o.c.
17	18	20	Rural mail carriers
18	15	22	Government employes, n.o.c.
19	19	28	Transportation, communication
20	23	17	Clerical workers, n.o.c.
21	21	24	Trainmen and bus drivers
22	59	6	Housekeeping (motels, hotels)
23	20	35	Manufacturing
24	17	43	Military—commissioned
25	28	21	Editors, reporters, photographers
26	26	33	Proprietors, managers, officials, n.o.c.
27	22	42	Law enforcement officials
28	25	31	Telephone, telegraph, radio operators, linesmen
29	27	25	Printing and allied workers
30	31	14	Building operation
31	37	19	Housewives
32	34	34	Retail establishments
33	32	23	Garment, millinery workers
34	46	30	Medical profession
35	29	44	Mining, oil field workers
36	33	36	Transportation, communication, utilities, n.o.c.
37	38	38	Construction—proprietors, managers, etc.
38	36	32	Service workers, n.o.c.
39	51	26	Nurses and medical technicians
40	48	27	Barbers, beauticians
41	45	37	Food and allied products
42	41	41	Sales clerks in stores
43	42	39	Skilled and unskilled, n.o.c.
44	39	45	Truck drivers
45	35	49	Service station garage employes
46	43	51	Salespeople, brokers, n.o.c.
47	49	40	Building construction and maintenance trades
48	50	47	Foundry, shop, manufacturing, etc.
49	52	46	Agents and brokers—insurance and real estate
50	53	48	Legal profession
51	44	56	Entertainers
52	40	59	Lodges, unions, societies
53	47	57	Auto and implement salesmen
54	54	58	Traveling salesmen
55	55	54	Canvassers, solicitors
56	56	55	Liquor, beer—manufacturing, distributor
57	57	53	Churchmen and workers
58	59	52	Farm laborers
59	58	61	Students
60	61	50	Amusement, recreation
61	60	60	Food handlers
62	62	62	Unemployed
63	63	64	Military—enlisted personnel
64	64	63	Unknown or n.o.c.

Big I Program Has Real Value For Agent

Tom Bartlett of North Baltimore, O., writes:

I attended the NAIA convention in Chicago last fall and heard the NAIA advertising plan discussed by agents from the many states represented. I never got over enthusiastic about the program because I am an advocate and user of advertising from long ago. In our business of insurance we do so little in advertising it is rather pitiful. This NAIA program interested me because it is the beginning of a program to have our business of insurance with a symbol, the Big I.

When I got back home from Chicago I sent in my fee to become a part of the program. At the NAIA meeting our representatives from Ohio did not seem to know much about the plan or be sold on it like the other states. Then at our Ohio annual meeting the plan was discussed and what a discussion. You would have thought the agents were discussing a crisis with a live or die goal. You would have thought these agents were going to spend a fortune on this advertising plan. The agents of Ohio are not completely sold on it as of now. About 40% have contributed to it.

To me the Big I is a symbol for the agents who operate under the American agency system. I can't see where the direct writer or any others like the direct writer believes themselves to be independent. The word "independent" according to Mr. Webster has many meanings. However, I take it to mean, "Not controlled by others; self governing." It is hard for me to believe that too many direct writers can qualify as an independent.

Labels play a big part with the citizens of our country. The *Good Housekeeping* seal and Underwriters Laboratories' label along with many others tell the folks the product is O.K. Our Big I is new and naturally we may expect some kinks in it. But it is a start for us. It is a little late; but it is better late than never.

Our program depends on its use by our agents. If each agent is consistent and persistent, it won't be too long until the Big I will have the deserved recognition needed. It will bring prestige to our state and national associations.

We have enough headaches and worries with our own American agency system, so why bother advertising direct writers and others. Let us talk about our system and advertise it with all our force and means with 100% support to our NAIA advertising program.

New Economy Auto Insurer

Oregon Automobile has formed a subsidiary to write low cost auto insurance. The new company, North Pacific, will write at rates competitive with stock company economy plans, operating only in Oregon.

William Style of the Kenosha office of Western Adjustment was speaker at the annual dinner meeting of **Insurance Women of Kenosha,** Wis.

Editorial Comment

'Post' Helps Public Understand A&S

A&S insurance, long the whipping boy of governmental investigations, magazine expose features and mass circulation newspapers, has been treated to some remarkably fair reporting in the June 14 issue of the *Saturday Evening Post* in the article, "The *Post* Reports on Health Insurance," summarized elsewhere in this issue of THE NATIONAL UNDERWRITER.

In the second article of a three-part series, writer Milton Silverman spotlights Blue Cross, doctors, patients, hospitals and union health and welfare fund administrators as the real villains who contribute most toward the rise in health insurance rates.

True enough, health insurance companies, and the few agents who have been found to be kicking back rebates and commissions to unscrupulous union fund officials, did not escape scot-free in Mr. Silverman's very thorough investigation. Nor do they deserve to be overlooked. But the encouraging ed to over-collect, he is practically that in general everybody but insurance companies is held to blame for abuses which tend to raise rates, and that insurance companies are among the prime victims of these abuses.

This is in sharp contrast to the sensationalized treatment accorded the A&S business several years ago by the *Reader's Digest*. If the third article of the *Post* series, which is to run next week, continues in the same tone as the first two, the insurance business can derive considerable satisfaction from the fact that a magazine of such wide distribution has placed so fair a picture of the health insurance situation before the eyes of so many million readers. The understanding thus engendered should help materially in bringing about a better solution to the whole baffling problem of providing satisfactory health insurance at a price people are willing to afford.—William Macfarlane.

Maybe Too Small–Maybe Too Hot

Who said the personal lines were too small to handle?

Mr. Smith was in an automobile accident.

He sustained serious injuries. The $2,000 of medical payments in his family auto policy was exhausted. He had a $100 weekly indemnity policy and this paid $1,600 since he was knocked out for 16 weeks. He had Blue Cross coverage, which paid $682. His major medical was tapped for $5,872.

His car was a constructive total wreck. It was a good car, eight months old. Settlement, $3,680. The accident occurred in New York, so Mr. Smith collected under the statutory disability benefits law $26 x 26 weeks, or $676.

While he was in the hospital someone stole his pants. These went with an expensive suit—$150. His watch was in the pants; that came to $250.

He finally died, and the company paid his widow $50,000 of life insurance. She sued the driver of the other car and got a judgment for $82,500.

This is a total of $147,410 as the result of one accident, all insured in one multiple line, including life, group.

The fire insurance business concluded a long time ago that insured cannot profit from a loss. To permit him to do so puts too great a pressure on his moral fibre.

But in the figures here, while they are hypothetical and perhaps not even verisimilitudinous, moral hazard, as underwriters use the term, is at work. Duplication and triplication of reimbursements such as medical payments, A&S, major medical, Blue Cross, and the portion of a liability recovery allowed by a jury for expense, tempts fate and human nature.

Few persons would willingly break a leg for $500. But after doing so accidentally, insured is not simply tempted to over-collect, he is practically urged to do so.

The patchwork character of the insurance, the diversity of its practitioners, and the multiplication of insurance needs all are reflected here. Insurers get a premium for all these coverages. But shouldn't insured be reimbursed rather than profited? Perhaps with the surge in group A&S loss ratios, the continuing poor experience in auto liability, the seasoning of major medical, etc., the business will get back to honest reimbursement for loss.

The hypothetical case cited here also poses another problem for companies active or aspiring to full multiple line operations. They not only have to acquire and put companies together. They also have to jell their varied coverages logically so that they will be offering the public a full blanket of protection and not a crazy quilt. —K.O.F.

Personals

Barnard Flaxman, vice-president and **G. C. Wolterding** have been presented inscribed sterling silver trays in recognition of more than 50 years with the Chicago office of Marsh & McLennan. The presentation was made by President Hermon D. Smith. Mr. Hawxhurst joined what was then Burrows, Marsh & McLennan in 1905, and Messrs. Seaverns and Wolterding started with M.&M. two years later.

Barnard Flaxman, vice-president of Hartford Fire, has been elected to the board of Syracuse University. He has served as president and board member of Syracuse Alumni Club of Hartford and chairman of Hartford Area Alumni Fund.

Ray Murphy, retired general counsel of Assn. of Casualty & Surety Companies, has been awarded an honorary doctor of laws degree by St. Ambrose College, Davenport, Ia. He is a native of Iowa.

Shelby C. Davis, New York broker specializing in insurance stocks, has sailed for several weeks in Europe.

W. Clement Stone, president of Combined, received an "industrial good neighbor award" from Chicago Assn. of Commerce and Industry, for the company's part in Mayor Daley's program to make Chicago "America's cleanest city."

Deaths

DALLAS SMITH of the Ellis-Smith & Co. agency of Dallas and immediate past president of National Assn. of Surety Bond Producers, died. He had been in the agency business for 46 years, starting at Fayetteville, Ark., in his father's agency. He moved to Texas in 1913 to join Cravens & Cage of Houston, now known as Cravens, Dargan & Co. Three years later he became state agent at Texas for Fidelity-Phenix, traveling that territory until 1919 when he went with the general agency of I. Reinhart & Son (now Floyd West & Co.) which he managed from 1919 to 1921.

In 1921, Mr. Smith joined Porter Ellis to set up an agency partnership titled Ellis-Smith & Co. which became one of the leading agencies in Dallas.

CHARLES S. ROSENSWEIG, 75, editor and publisher of *Insurance Advocate*, died of a heart attack at the Hotel Mayflower, New York City, where he lived. He was an organizer of Stephens & Co., New York insurance brokers, and later took over and owned the firm for many years until 1940 when he became managing editor of *Insurance Advocate*. He became editor in 1944 and president of Roberts Publishing Corp., publishers of the magazine.

While in the brokerage business, Mr. Rosensweig was a leading proponent of brokers' rights under the law, and later in his editorial capacity sought national legislation to remove fire and casualty mutual companies from tax exempt status. More recently he had been a vigorous foe of compulsory automobile insurance.

PAUL F. BROWN, 64, state agent of Hanover in Ohio with headquarters at Columbus, died in University hospital. He was a 25 year member of the Blue Goose.

MARTIN L. McINTIRE, 51, secretary of Inter-State Assurance, died at Iowa Methodist hospital in Des Moines after a heart attack.

LLOYD KINNEY, 82, retired agent of Taylorville, Ill., died.

HARRY NEWELL, 70, former assistant chief engineer of National Board, and recently a consultant, died at his Bloomfield, N. J. home after a long illness. He developed many standards of fire safety including the use of flammable liquids, gasses, house piping for utility gases and installations for liquefied petroleum gases. He was a life member of National Fire Protection Assn.

ARTHUR G. PACKARD, 76, retired Kansas City manager of Kansas Inspection Bureau, died at Kansas City. He joined the bureau in 1910, retired

The NATIONAL UNDERWRITER

The National Weekly Newspaper of Fire and Casualty Insurance

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ATLANTA 3, GA—432 Hurt Bldg., Tel. Murray 8-1634. Fred Baker, Southeastern Manager.

BOSTON 10, MASS.—80 Federal St., Rm. 342, Tel. Liberty 2-9229. Roy H. Lang. Southern New England Manager and John F. MacNamara, Northern New England Manager.

CHICAGO 4, ILL.—175 W. Jackson Blvd., Tel. Wabash 2-2704. A. J. Wheeler, Chicago Manager. R. J. Wieghaus and William D. O'Connell, Resident Managers.

CINCINNATI 2, OHIO—420 E. Fourth St., Tel. Parkway 1-2140. Chas. P. Woods, Sales Director; George C. Roeding, Associate Manager; Arthur W. Riggs, Statistician.

CLEVELAND 14, OHIO—1367 E. 6th St., Lincoln Bldg., Rm. 208, CH 1-3396. Paul Blesi, Resident Manager.

DALLAS 1, TEXAS—309 Employers Insurance Bldg., Tel. Riverside 7-1127. Alfred E. Cadis, Southwestern Manager.

DENVER 2, COLO.—234 Commonwealth Bldg., Tel. Amherst 6-2725. J. Robert Ebelhardt, Rocky Mountain Manager.

DES MOINES 9, IOWA—327 Insurance Exchange Bldg., Tel. Atlantic 2-5966. D. J. Stevenson, Resident Manager.

DETROIT 26, MICH.—613 Lafayette Bldg., Tel. Woodward 5-2305. William J. Gessing, Manager for Indiana and Michigan.

INDIANAPOLIS 20, IND.—5634 N. Rural St., Tel. Clifford 3-2276. William J. Gessing, Manager for Indiana and Michigan.

MINNEAPOLIS 2, MINN.—1038 Northwestern Bank Bldg., Tel. Federal 2-5417. Howard J. Meyer, Northwestern Manager.

NEW YORK 38, N. Y.—17 John St., Room 1401, Tel. Beekman 3-3958. J. T. Curtin and Clarence W. Hammel, New York Managers.

NEWARK 2, N. J.—10 Commerce Ct., Tel. Market 3-7019. John F. McCormick, Resident Manager.

PHILADELPHIA 9, PA.—123 S. Broad St., Room 1027, Tel. Pennypacker 5-3706. Robert I. Zoll, Middle Atlantic Manager.

ST. LOUIS 2, MO.—221 Pierce Bldg., Tel. Chestnut 1-1634. Geo E. Wohlgemuth, Resident Manager.

SAN FRANCISCO 4, CAL.—582 Market St., Tel. Exbrook 2-3054. Richard G. Hamilton, Pacific Coast Manager.

CHANGE OF ADDRESS

Be sure to enclose mailing wrapper with new address. Allow three weeks for completion of the change. Send to subscription office, 420 E. Fourth St., Cincinnati 2, Ohio.

in 1947. He was at Topeka for 10 years before opening up the Kansas City office in 1920. A son, Eugene L. Packard, is special agent in Kansas City for Continental-National group.

WENDELL H. STEVENS, 61, vice-president of Fred. S. James & Co. agency, Chicago, died in his home at Wheaton, Ill., after a long illness. Mr. Stevens joined Fred. S. James in 1920 becoming a member of the firm in 1932. He was elected vice-president in 1940. Active in a number of insurance and allied organizations, he was a director of Assn. of Lloyds Brokers Assn. of Ill.

GEORGE J. THOMAS, 63, a retired St. Louis agent and broker, died at St. Anthony's Hospital after an illness of several months. He had been in the business in southern St. Louis for 40 years prior to his retirement due to ill health.

AUDLEY BRINDLEY, 60, associate manager at New York City for Hartford Accident, died at his home at Rockville Centre, L. I. He had been with the company more than 44 years.

EDGAR R. SMYTHE, 78, an insurance man in St. Louis for 60 years, died of a stroke in Alexian Bros. Hospital. He had been with the Weissenborn & Reynolds agency since 1929 and also was state agent for Monarch and Boston for about 30 years.

MRS. EMMA J. FREDRICKSON, 92, the mother of E. H. Fredrickson, retired Philadelphia manager of the National Underwriter Co., died at Swedish Hospital, Minneapolis.

GEORGE H. TIBBETTS, 64, local agent at Lansing, Mich., died there.

MISS AGNES GRAEBNER, who headed the Graebner agency in Milwaukee since 1939, died there. She had been with the agency for more than 40 years.

ANKER S. HAUGEN, 65, for many years an executive of D. K. Macdonald & Co. died of a heart attack.

REGINALD H. SQUIRE, 69, New York City broker, died.

DAVID M. BIDMEAD, 57, special agent of Hartford Fire in St. Louis for 12 years, died at Jewish hospital of a lung ailment.

MINARD A. SCOTT SR., 61, Elkhart, Ind., agent, died there following a heart attack.

Word has been received of the death April 22 of **CLARENCE L. TURMAIL**, 72, an agent for nearly 51 years at Vallonia, Ind. He marked his 50th anniversary as an agent last Decemger, having lived and worked in Vallonia his entire life.

Kemper Men's Club Elects

William J. Ryan has been elected president of Kemper Men's Club, an organization of 600 men in Kemper's Chicago office. Mr. Ryan, director of education and training for the company, succeeds Phillip T. Dalton, manager of statistical tabulating, as club president. Other officers elected for the coming year were Richard H. Brelos, 1st vice-president; Arthur D. Webster Jr., 2nd vice-president; Harry F. Peterson, secretary; and John P. Koebel, treasurer.

R. Beach Mott & Co., Houston adjuster, has appointed Edward M. Schoen manager of its fire and inland marine department.

Class 2 Commission Cut By Travelers

Travelers has cut commissions countrywide on class 2 private passenger car liability insurance by 10 points, except for Massachusetts compulsory coverage. The class has been put in the same commission category as taxicabs and long haul trucks.

The reduction applies to new policies effective June 1, and to renewals on August 1. Agents were informed of the change in a letter from Harold A. McKay, vice-president of Travelers, who stated that a program of commission reduction and highly selective underwriting of the class was imperative because of high loss ratios. He said that BI and PDL losses continue to grow worse with every indication of extending into the future for some time to come, and producers are finding it almost impossible to place class 2 business which shows the worst experience and remains undesirable despite having the highest rate of all private passenger liability classes.

Notwithstanding this situation, he continued, the company wishes to provide a market for established producers for risks which are entitled to coverage. In order to do so, the present program has been adopted. Agents received an amendment to their contracts with the letter.

In Massachusetts, Travelers will continue to pay 7½% to 10% on statutory coverage, depending on the zone, as do other companies. On optional class 2 coverage the commission goes from 20% to 10%.

Richmond Agents Elect

Richmond (Va.) Assn. of Insurance Agents has elected the following officers: Ralph S. Goode, president; Ralph W. Howe, vice-president, and J. Robert Bond, secretary-treasurer.

Stocks

By H. W. Cornelius, Bacon, Whipple & Co. 135 S. LaSalle St., Chicago, June 10, 1958

	Bid	Asked
Aetna Casualty	132½	134½
Aetna Fire	69	70½
Aetna Life	190	193
Agricultural	26½	27½
American Equitable	32½	33½
American (N. J.)	26	27
American Motorists	11½	12½
American Surety	16	17
Boston	30½	31½
Camden Fire	29½	30½
Continental Casualty	78	79½
Crum & Forster com.	55½	57
Federal	41	42½
Fireman's Fund	53	55
General Reinsurance	55½	57
Glens Falls	29	30
Globe & Republic	17½	Bid
Great American Fire	34	35
Hartford Fire	150	153
Hanover Fire	37½	38½
Home (N. Y.)	41½	42½
Ins. Co. of No. America	107	109
Maryland Casualty	35½	36½
Mass. Bonding	33½	34½
National Fire	79	81
National Unio n	35	36
New Amsterdam Cas.	42½	44
New Hampshire	38	40½
North River	32	33
Ohio Casualty	21	22½
Phoenix Conn.	62½	64½
Prov. Wash.	17½	18½
Reinsurance Corp. of N. Y.	14½	15½
Reliance	39	40½
St. Paul F. & M.	45	46½
Springfield F. & M.	26¼	27¼
Standard Accident	43	44½
Travelers	74	75
U.S.F. & G.	59	61
U. S. Fire	26¼	27¼

Speaker at the May luncheon of Chicago chapter of Society of Fire Protection Engineers was John J. Ahern, professor of fire protection engineering at Illinois Tech. Mr. Ahern told the 500 diners who attended that the disclosure of Russian scientific prowess underlined the need for more college graduates in this country. The luncheon was held in conjunction with the annual convention of National Fire Protection Assn. and many conventioneers attended. At left is Morton Luber, Steel Ins. Co., president of the Chicago chapter.

Miss. Rate Bureau Elects

Officers of Mississippi State Rating Bureau elected at the annual meeting last month are: President, Charles L. Ward, Aetna Casualty; vice-president, W. G. Sours Jr., Boston; and executive committee members, Jeff Davis, America Fore; C. L. Douglas Jr., Travelers; J. W. Robertson, Sullivan general agency; J. L. Ross, St. Paul F.&M.; Edgar Rushing, Hartford Fire; W. S. Sampson, U.S.F.&G., and Edward Yerger Jr., Home.

America Fore Makes Several Promotions

America Fore fire companies in the southern department at Atlanta have advanced John T. Nesbitt from secretary to vice-president and Victor W. Berg from general adjuster to assistant secretary.

In the southwestern department at Dallas those companies have advanced Elvis D. Richardson from agency superintendent to assistant secretary.

In the western department at Chicago, Herman P. Winter is advanced from vice-president to vice-president and manager; Raymond F. Jackson from secretary to vice-president; Bert R. Walinder from secretary to vice-president; Walter H. Brode from manager of the brokerage department to assistant secretary, and John W. Lenehan from agency superintendent to assistant secretary.

In the Pacific department at San Francisco William E. Matchett, vice-president, is promoted to vice-president and manager for the America Fore companies; Alfred V. Holman, secretary, to vice-president of the fire companies; Stephen W. Weymouth secretary, to vice-president of the fire companies; Claude J. Beatty, secretary to vice-president of America Fore companies; George J. McGaffigan, assistant secretary, to secretary of the fire companies; Wilfred J. McKeegan, to secretary of all America Fore companies, and John R. Jones, to secretary of the fire companies.

Wisconsin Fire Prevention Assn. conducted a one-day inspection of Marinette, in cooperation with local agents, city firemen and the Chamber of Commerce.

Field Changes

K. E. Adams Gains Rank Of Big Toad

The Peoria Puddle of Illinois Blue Goose has elected K. E. Adams, Illinois Inspection Bureau, the new big toad to succeed Arthur Corey of Travelers. Other officers are: Polliwog, C. Wayne Botsfield, Pacific National; croaker, L. G. Hines, Ohio Farmers, and bouncer, Harold R. Cannon, Home.

Kent L. Macy, New York Underwriters, the Illinois MLG, presented an honorary life membership to R. V. Haser, retired state agent of Ohio Farmers.

Phoenix Of Hartford In Conn., R. I. Field Changes

Phoenix of Hartford has appointed Craig E. Gilbert state agent and Harold F. Porter Jr. special agent in southern Connecticut under supervision of S. Gray Tracy, manager at Hartford.

Robert E. Anderson has been named special agent at Providence.

Mr. Gilbert joined the company in 1952 in the home office western underwriting department. In 1954 he went to the Connecticut field as special agent and transferred to New Haven in 1956.

Mr. Porter, with the company since 1952, was in the home office underwriting department, and later was special agent in the Pennsylvania district office and at Wilkes-Barre.

Mr. Anderson began at the home office in 1955 and went to Albany in 1956 as a special agent.

Warren Boothman has been appointed staff adjuster in the Providence claim office.

Garden State Pond Elects

Garden State (N. J.) pond of Blue Goose elected the following officers at its annual meeting at West Orange: Edward M. Barrett, America Fore Loyalty, MLG; Howard S. Roberts, General Adjustment Bureau, supervisor; Robert E. Trinks, Northern of New York, custodian; David B. Roden, American Home, guardian; Herbert D. Young, America Fore Loyalty, keeper; and Henry Bornkamp, Appleton & Cox, wielder. Mr. Barrett and Edward J. Peiffer, General Accident, were named delegates to the Grand Nest.

Hartford Pond Elects

Hartford pond of Blue Goose at its annual meeting in Avon, Conn., elected William Davis of London & Lancashire, MLG, Roderick Nicholson of Aetna Casualty, supervisor; Wallace Bailey of Phoenix of Hartford, custodian; Peter Tompkins of Boston; guardian; Charles Schmidt, independent adjuster, keeper, and Gordon Crowther of Factory Insurance Association, wielder. Henry Fuldner of North America won the golf prize with low gross. Robert Stumpf of General Adjustment Bureau, Paterson, N. J., grand guardian, installed the new officers.

Chesapeake Pond Elects

Chesapeake pond of Blue Goose, Baltimore, has elected the following officers: Andrew Muller Jr., Riggs, Warfield, Roloson, MLG; R. Z. Leizure, Alexander & Alexander, supervisor; W. Darby Miller, Agricultural, custodian; Harry A. Bodenstein, Fireman's Fund, guardian; John M. Cannon, North British, keeper; Robert S. Ewens, National Union, wielder.

Montgomery In Ind. Field

Agricultural has appointed H. W. Montgomery state agent in Indiana with headquarters at Indianapolis.

No. British In N. Y., Mass. Changes As Taylor Retires

North British has appointed Charles F. Ellard, formerly special agent in Massachusetts, state agent for western New York at Buffalo to succeed P. M. Taylor, who is retiring due to ill health after 30 years with the company.

George A. Rinck, special agent, who has been associated with Mr. Taylor, will join Arthur C. Foote, who has been advanced to state agent for northeast Massachusetts at Boston, where he is also assisted by John Fitzpatrick, special agent.

Mr. Ellard joined the company in 1946 as a map clerk in the southern department and has also been a special agent in eastern New York.

Mr. Foote has been with the company for 23 years, most recently in charge of the metropolitan Boston territory.

National Of Hartford Names Hunt SA At Cleveland

Warren H. Hunt, special agent at Cleveland, has been promoted to state agent by National of Hartford.

Mr. Hunt started his insurance career with Ohio Inspection Bureau in 1948 and in 1950 joined National of Hartford as a field man in Ohio.

Fireman's Fund Appoints Special Agents In East

Fireman's Fund has named three special agents: John J. Purcell in western Massachusetts, assisting Special Agent Kenneth D. Goddard; Richard L. Smith in New Hampshire and Vermont; and Robert H. Swift, casualty special agent in Baltimore with Richard E. Rohleder.

Suburban N. Y. Elects

Suburban New York Field Club at its annual election in Elmsford elected George James of New Hampshire president, George Nelson of Commercial Union vice-president, James Wright of Royal Exchange secretary, and John Belanus of Aetna Fire treasurer.

The executive committee named consists of Frederick Carey of Royal-Globe, Frederick Dayton of Springfield F.&M., Robert Stenhouse of Home, George James of New Hampshire, Clifford Douglas of St. Paul F.&M., Jack Cure of American Home, George Nelson of Commercial Union, Davison DeCamp of Great American, Vincent Cascio of Standard Accident, Frank O'Brien of London Assurance, Howard Bell of Yorkshire, and Lloyd Smallwood of Aetna Fire.

Fla. Field Group Elects

Florida Field Conference elected Weldon J. Lowe, Randall & Hebard, Winter Park general agents, as president at its annual meeting. He succeeds J. Davis Bulluck Jr., Commercial Union-Ocean. Fred L. Volberg of Wilson, Boozer & Volberg, Jacksonville general agents, was named vice-president, and Donald B. McIntosh, Phoenix of Hartford, secretary.

The June 26 meeting will be held in conjunction with the annual splash of Blue Goose at Key Biscayne.

Smith Is Ga. State Agent

Royal-Globe has appointed Gerard C. Smith state agent at Savannah. He joined the company as a trainee in 1953 and later went to Atlanta where he was special representative in inland marine, aviation, burglary, and glass.

Mountain States Field Men Meet At Denver

Mountain States Capital Stock Insurance Assn., the former Fire Underwriters Assn. of the Mountain States, has elected John B. Leydon of Loyalty group as its new president. F. Richard Sharpe, U.S.F.&G., is 1st vice-president; Robert E. Forrest, America Fore group, 2nd vice-president; Bruce E. Chittenden, America Fore group, secretary-treasurer, and David E. Miller, North British, chairman of the public relations committee.

There were 63 members at the meeting at which official action was taken to change the name.

Named to the governing committee were B. L. Matthesen, Employers Liability; R. C. Broome, Home; Chan Cotton, Braerton, Simonton & Brown general agency, and David E. Miller.

Sears In Iowa Field

American Surety has appointed William H. Sears as special agent at Des Moines. He joined the company in 1957.

Erzinger To West Wis.

North British group has appointed Robert C. Erzinger special agent for western Wisconsin with offices in Milwaukee.

Bailey Joins P. I. In Ky.

Robert E. Bailey has joined Pacific Indemnity as field representative in Kentucky with headquarters at Cincinnati. He has been in the Kentucky field for Loyalty group and has been in insurance since 1948.

Open New La. Field Office

Phoenix of Hartford has opened a multiple line field office at Shreveport, La., under the supervision of special agent Raymond Manchester.

Cardillo In N.J. Field

Phoenix of London has appointed Ralph C. Cardillo as special agent for New Jersey under the supervision of George A. Wander, manager at Newark.

Ore. Commissioner Not Advocate Of Compulsory

Commissioner Hugh Earle of Oregon told a meeting of the executive committee of Oregon Assn. of Insurance Agents last month at Portland that he is opposed to compulsory automobile insurance. He based his opinion on an investigation he made during a visit to Massachusetts in the 1930s at the request of the then Gov. Martin, and said nothing has transpired in the intervening years to change his mind. He urged the agents to present the appropriate legislative committees with detailed information and said he was certain that if the facts are known the legislature will not enact a compulsory law in 1959.

Ratterree & Co. To Build

John Ratterree & Co., Greer, S. C., general agents, will add a modern $140,000 wing to its building which is being remodeled to match the addition. The present structure is the home office of Dixie Fire & Casualty, and of Southern Home, both controlled by Mr. Ratterree, and accommodates the managing general agency of Holyoke Mutual Fire and Middlesex Mutual Fire.

William J. Ronayne. has been appointed manager of the fire, casualty and inland marine department of the **Joseph J. Wick agency** of Milwaukee.

A & S

Texas A&H Assn. Names Armistead President

Texas Assn. of A&H Underwriters officers and directors held their annual meeting in Austin and elected Eugene E. Armistead, American Investors Life, Fort Worth, president. He succeeds John Delaney, American General Life, Houston.

John Saint, American General Life, Houston, has been elected vice-president to fill the vacancy created by the resignation of William D. Borden, American Hospital & Life, San Antonio.

Mr. Delaney called attention to the trend for more large companies to enter A&H. He also spoke of the need to consider carefully the assignment of policies to hospitals by insured, and of the need for claims investigation.

Health Assn. Libraries Honor Gordon's Memory

An $8,000 gift to establish memorial libraries in the Chicago and New York offices of Health Insurance Assn. of America has been presented by the trustees of the Harold R. Gordon Memorial Fund. Mr. Gordon, who died in 1948, was managing director for 27 years of H&A Underwriters Conference which merged with Bureau of A&H Underwriters in 1956 to form the present association. The gift will be divided equally for a law library at Chicago and a research library in New York to perpetuate Mr. Gordon's memory

Royal-Globe Covers Ball Clubs In Their Travels

Royal-Globe has written a group travel accident policy through Marsh & McLennan, New York, to cover the eight National League baseball teams against accidental death or dismemberment while traveling by land, sea or air. It protects managers, coaches, trainers, property and equipment men, bull pen catchers, bat boys, secretaries, club publicity directors, and general managers, with individual limits of $50,000 and total limits of $1,750,000 for any one accident.

An endorsement covers players traveling to report to a club or to report to another club at the direction and expense of insured.

Hartford A&H Assn. Elects

William F. Monk, instructor at the training center of Hartford Accident, was elected president of Hartford Assn. of A&H Underwriters. Samuel Levitt of Paul Revere Life was elected vice-president, and George J. Richards of Monarch Life, secretary-treasurer. The new executive committee comprises Ansel Arnold of Travelers, chairman; Joseph Dillman, Paul Revere Life; Lyle Pelton, Life Insurance Agency Management Assn.; William F. O'Connor, Washington National; Beecher Swaim, Continental Assurance; J. Vincent Budds, Warner & Budds Agency, and Fred Dinehart, Metropolitan Life.

Mr. Richards and Mr. Dinehart will represent the unit at the annual convention of the International Assn. of A&H Underwriters at Los Angeles in June.

Nassau County (N. Y.) Assn. of Insurance Agents elected the following officers at its annual meeting in Freeport: Clifford Sahm, Great Neck, president; Lionel Goldberg, Glen Cove, vice-president; Curt Elrod, Williston Park, secretary, and Frances Mantel, Garden City, treasurer. Helen Lyons, Howard Makler, and Charles Haile were made directors.

Control Of Independent, Freedom Of Captive Agent Is Trend Says Lang; Hits Status Quo

Frank Lang, president of his own marketing and management consultant firm of New York City, told the management conference of the Conference of Mutual Casualty Companies at Asheville, N. C., that studies indicate that the independent agent with multiple company representation is being more and more controlled. Conversely, the agent with sole representation has been gaining greater freedom and independence until now several American agency system companies have closer supervision over their so-called independent agency force than certain direct writers have over their exclusive agency plants.

Verdict Illustrates Trend

He said the trend toward vested interest on the part of exclusive company agents was illustrated by a recent Wisconsin verdict which awarded a substantial sum to a former district and local agent whose contract was terminated after he had built a profitable agency. The court held that he owned the business which had grown through his efforts and the company could not arbitrarily terminate it in spite of direct billing of renewals to insured.

Mr. Lang declared that today when a 10% loss in company surplus is considered "par for the course" there is plenty of cause for concern. He added, however, that adverse results have had one beneficial effect because top management has changed its attitude from trying to maintain the status quo at any price, to accepting change and taking action accordingly.

The most pronounced changes have been in distribution, he explained, for that function is no longer limited to selling or to the appointment of as many agents as possible. The concept is now one of merchandising and includes market planning; application of underwriting standards; market development; building, training, activating, supervising and controlling the field staff and agency force; controlling sales costs, and integrating advertising and promotion in an over-all sales campaign. This program has been forced by competition, he declared, and the way it is carried out will determine the future course of the companies which face the alternatives of leading or following, taking control of a larger group, merging, or going out of business.

Stresses Importance of Agent

Mr. Lang said those who have looked down on distribution in the past might well remember that if it were not for the sales and agency departments and the men in the field there would be no need for underwriters, investment men, claims men and general administrators. He emphasized that over-all distribution costs are still from two, to three and a half times as great as all other expenses combined, excluding claims expense, and management had better evaluate its merchandising approach accordingly.

A good starting point, he said, is to debunk some common misconceptions and errors which he has observed on the part of many executives. Each thinks his company's distribution problems are unique and can only be appreciated by individuals who have been with the organization for 20 years. These are the very people who are set in their ways and afraid of change, Mr. Lang asserted.

The executive trusts his own limited observations and those of his managers and field men to keep pace with marketing developments, population shifts and other factors, and often depends on internal reports alone in estimating the effectiveness of his field staff, the loyalty of agents, policyholders' appreciation of company service and the general impact of the sales approach, he continued. He added that the executive tends to overestimate the market of competitors and overlook his own potential which he has not investigated and therefore fails to attain. Conversely, he underrates the technical and market knowledge, selling ability and distribution methods of other companies which apply techniques he considers "cockeyed."

Mr. Lang said he had observed that when a company is growing at a profit every department tries to take credit, but when reversals occur, the blame is attributed to another department, which is fallacious because success or failure depends upon joint effort. The executive does not have time for over-all study and planning with regard to sales and marketing and in the past has looked for a single explanation for all problems, but backwardness in applying modern techniques is gradually being overcome. Large expenditures for advertising and promotion without a yardstick to measure their effectiveness have been another management mistake, Mr. Lang said.

He asserted that too many executives have only a vague notion of what their field men are doing and only a few have studied the number of agents the field man can supervise in addition to selecting, training and stimulating them. Few companies have set standards for measuring field performance and even fewer have adopted incentive compensation programs to encourage field men to attain desired goals. Finally, the executive is cost conscious in the home office, but hesitates to take action in reducing distribution costs, Mr. Lang declared. He added that all of these errors and misconceptions were not held by all companies, but they had value as danger signals to help avoid mistakes.

Management, however, needs positive guides for future direction, he explained, and highlighted some current trends for this purpose. In the not too distant future, multiple policies will combine life and general coverage in one contract. Mass distribution schemes are being tried and include vending machines at airports, over-the-counter-services, and tie-in sales with commodity purchases in some areas.

"The group concept of distribution may bring about a most profound change," he emphasized. "According to a survey by Dr. Richard Heins of the University of Wisconsin, group

(CONTINUED ON PAGE 41)

Expect $60 Million Nuclear Capacity

Nuclear Energy Liability Insurance Assn. now has 139 members with a total participation of 34,383,429. In his annual report, J. Dewey Dorsett, general manager, said that when reinsurance arrangements are completed, capacity is expected to exceed $50 million. Commitments will be held to $46,500,000, however, he stated, and since mutual interests are expected to have a capacity of $13,500,000 after their reinsurance is set up, the total of the two pools will be $60 million.

The organization has qualified as an advisory and joint underwriting association in all states, Alaska, District of Columbia and Puerto Rico. At May 1, 1958, earned premiums for the 1957 calendar year were $58,910 and deposit premiums were $345,807 with 48 active accounts of which 39 were facility binders and 9 suppliers' binders.

Mr. Dorsett said that the $250,000 minimum limit of financial protection set by temporary regulations of the Atomic Energy Commission has caused the governing committee of NELIA anxiety because most private operators of reactors need only buy that minimum or furnish financial protection in that amount through other methods authorized by the regulations in order to qualify for $500 million government indemnification under the Anderson-Price act.

Dunne Is American's Chief At New York

American has named Matthew S. Dunne, resident vice-president at New York City, chief executive there to succeed Eugene C. Richard, vice-president, who has gone to the head office operations department.

Mr. Dunne became resident vice-president of American Auto at New York in 1953, and since the merger with American in 1956 has been associated with Mr. Richard in directing operations of the integrated branch there.

John J. Manning, office manager, has been advanced to administrative assistant at New York. He joined the group in 1943 and has also been in underwriting and premium auditing.

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Ga. Countersignature Up

Under a new Georgia law, agents countersigning policies produced outside the state receive 50% of the non-resident producer's commission.

Rules Against Company For Neglecting Appeal

U. S. district court in Colorado ruled that where an insured's liability for negligence was a close question, the insurer was obligated to appeal a judgment against its policyholder and was liable for expenses the latter incurred in prosecuting the appeal, although it was unsuccessful. Indemnity of North America, which carried excess insurance for Northern Utilities Co., brought action against Hawkeye-Security, the company's liability carrier, to recover both a judgment and the costs of the appeal and was awarded the latter. The case is reported in 9CCH (Fire & Casualty) 581.

Northern Utilities, which carried a $10,000 liability policy with Hawkeye-Security, was guilty of negligence which caused a fire on the premises of Rafferty Mill & Fixture Co., Casper, Wyo., in November, 1950. Harry C. Rafferty brought suit against Northern Utilities, claiming that damages to his property exceeded $23,000. Before the suit was filed Northern Utilities had an opportunity to compromise the claim for $9,000 but engaged the law firm of Murane & Bostwick to defend the suit and thereafter controlled the litigation. Prior to trial it offered Rafferty $750 in settlement, which was refused. Counsel advised the company to settle for the $9,000 offer, but it rejected this advice, which, if followed, would have held Northern Utilities harmless from loss. Counsel also advised that no specific acts of negligence could be proved by Rafferty and that the doctrine of *res ipsa loquitur* was not applicable.

Jury Awards $22,636

On this basis the case went to trial, the judge submitted the facts to a jury on the face of the obvious evidence and a judgment of $22,636 together with court costs of $54 was returned for Rafferty.

Hawkeye-Security was advised to appeal by counsel but refused unless expenses and costs were pro-rated by insured. The latter refused to do so except under protest but requested that the company proceed with the appeal. When it failed to do so, Northern Utilities went on to an unsuccessful appeal in Wyoming supreme court, incurring court costs and charges for interest on the entire judgment pending appeal, as well as lower court costs.

Indemnity of North America, which insured Northern Utilities for the excess judgment of $12,636 and for all costs involved in the appeal, brought action against Hawkeye-Security. The court held that the latter, having followed its counsel's advice that the doctrine of *res ipsa loquitur* did not apply in Rafferty vs Northern Utilities, and on that basis having refused to accept the opportunity to settle within the terms of its policy, was obliged to accept its counsel's subsequent advice to test the applicability of the doctrine on appeal. The court found that Hawkeye-Security had violated its legal duty to insured and had breached its insurance contract, but held that Indemnity of North America was entitled to recover appeal costs and interest but not the principal of the excess judgment.

Mercantile Block Gets Attention Of Alarm Assn.

(CONTINUED FROM PAGE 9)

Mowatt Jr., Cook County, Ill., assistant manager Aetna Fire, R. R. Ayles, superintendent inland marine department Royal Globe, and William Hanney, superintendent burglary department Zurich, coverage and underwriting; H. L. Bredberg, president Bredberg Reports, inspection; Messrs. Mowatt, Ayles and Hanney, final underwriting, and L. A. Reid, superintendent inland marine department Western Adjustment, loss adjustment.

To say that the panel of experts fell short in any way in covering their subject would be a long way out from the truth. And there was no doubt that the audience appreciated this detailed handling, as could be noted in the question period following, which was noteworthy for its grasp of the subject and the evident desire to get the answers to individual problems. Enough said when it is known that the program went from 1:30 to almost 5 o'clock, with side groups forming at the formal conclusion to continue various aspects of the discussion.

In fact it was noted by Mr. Pillsbury, who has attended and participated in practically all of the NBFAA annual meetings, that this was the first time in his knowledge during such a presentation when at least some side conversations were not being conducted by some of the members.

One of the questions coming in for a lot of discussion was damage to alarm equipment during a burglary. Since the alarm equipment belongs to the alarm company and is leased out, it was wondered if the alarm company could bill the subscriber for damage occurred and he in turn could bill the insurance company. There were also questions about certain portions of the alarm equipment that could not be replaced, such as foil on windows. The latter point was handled as being covered under plate glass the same as lettering on a window. There was considerable more discussion, however, on the question of damage to the actual alarm system, the consensus being that if it is considered part of the building it is not covered, and if it is personal property, it is covered.

Didn't Seem To Know

Another question which it is reasonably certain will be heard from again is the statement by one of the members from the Texas and Louisiana area that it is "practically impossible to get with the stock companies so they will take care of us in cases where supervisory service is used in lieu of a watchman or sprinkler system for property." This particular questioner said that the stock company agents did not seem to know anything about this type of business whatsoever and he "had had to go to the direct-writing mutuals, who did."

This "question" of central office supervision of local alarms without additional protection stirred up a number of similar statements from other members. About the only answer which could be given was that the agents must be educated along these lines. The questioners were also told to contact their local agent groups in their various areas. In most of these instances the men were from small towns with no central alarm system.

Do Not Inform Alarm Companies

A question voiced by more than one was an explanation why insurance companies do not inform the alarm companies that they are on a certain risk where the alarm devices are installed. The answer to this was that such cases were an oversight more than anything else.

Another question dealt with discounts on mercantile block when there was a 3A central station. The feeling seemed to be "discounts shown in the 'book' were not being given by the insurance companies." The answer to this was that the credit is not on fire and EC only but on other lines and that the burglary discount can't be applied against the total theft rate, thus the discount is lower and applies to both burglary and theft premium.

The panel stated as a side note that there are not yet the teeth in mercantile block as in burglary open stock. One of the members also declared that the experience had "not been too good as yet" with the comprehensive property floater, or mercantile block, and that "it had not made any money." The audience was advised to look for a rate change; also, it was stated that CPF had gone well only in 20 large cities at a maximum. "And this does not give big enough spread for best results."

William J. Ronayne has been appointed manager of the fire, casualty and inland marine department of the **Joseph J. Wick agency** of Milwaukee.

Obrecht Elected President Of Inter-Ocean Re

Everett D. Obrecht was elected president of Inter-Ocean Reinsurance suc-

Donald R. MacKay

Everett D. Obrecht

ceeding Karl P. Blaise, who was named vice-chairman, Donald R. MacKay was advanced to vice-president and secretary, while M. Holbrook Morrison Jr. was elected vice-president and assistant secretary and Frank E. Fulkerson was named assistant secretary. Roy E. Curray was renamed chairman.

Joining Inter-Ocean in 1932, Mr. Obrecht has served as vice-president and secretary since 1954. Mr. MacKay was formerly head of the New York office until its consolidation with the home office in 1954.

Mr. Morrison was previously an assistant secretary of the company and Mr. Fulkerson joined the staff in 1938.

A 25% stock dividend was declared by the directors which will increase the capital from $1 million to $1,250,000.

Bus Driver Stricken On N.J. Run; No Award

New Jersey supreme court has upheld the appellate division of superior court which reversed a county court award to the widow of a bus driver who suffered a heart attack while on duty, asked to be relieved at the end of his run and then died. Henrietta Kream sued Public Service Coordinated Transport for compensation following her husband's death.

Harry Kream, the bus driver who had no provable prior coronary involvement, left his home in apparent good health on the morning of February 2, 1952, reported at the Public Service garage in Newark and started on his regular run. Later he called his dispatcher, said he had been sweating and had chills and wished to be relieved at the regular relief point of the run. He did not ask for medical attention and volunteered no further information.

A relief driver met him as requested, noticed his condition and told Kream who had parked his car nearby before reporting that morning to call the company and have someone drive him home. Kream refused, crossed the street and started to drive home, but lost consciousness after several miles, and his car veered out of control, ran into a hedge and stopped against a retaining wall. A passerby gave first aid, but Kream expired within five minutes.

Mrs. Kream in a common law action alleged that Public Service was negligent in failing to provide medical treatment for her husband which might have saved his life. The court found for her, superior court reversed the award and the supreme court in upholding the latter said it was perfectly clear from the record that it was never brought to the dispatcher's attention that Kream was seriously ill. The dispatcher was unaware of the coronary attack later indicated by autopsy.

Medical Experts Disagree

Medical experts disagreed on whether Kream's regular employment aggravated the attack, but stated that he had arteriosclerosis and if he were in the throes of a cardiac vascular seizure, driving the bus or any other exertion or activity would have contributed to his death. The supreme court held there was absolutely no proof that any act related to his employment induced the attack and pointed out that the legislature has not decreed that every death occuring or injury sustained in employment must be compensated. Until it does so, the burden of proof was on Mrs. Kream who failed to sustain it and therefore was denied her claim.

Aaron Gordon, Jersey City appeared for Mrs. Kream, and Henry Sorenson, Newark for Public Service.

New Central Pa. Office For Aetna Casualty In Scranton

A Scranton office serving 10 counties in central Pennsylvania has been opened in the First National Bank building. It will supervise the development of casualty and bonding business.

A luncheon marking the opening of the new office was attended by agents in the area and company officials.

W. Earl Winski is superintendent and will be in charge at Scranton under the general supervision of C. R. Willis, manager at Harrisburg. Mr. Winski previously was superintendent of the bond department at Pittsburgh.

The headquarters of the fire division of Aetna Casualty and Standard Fire, headed by Frank S. Gardner, special agent, have been moved from Wilkes-Barre to the new Scranton office.

CONSOLIDATED FINANCIAL STATEMENT

December 31, 1957

ASSETS

Bonds		$10,908,283
Stocks		1,692,542
Cash in Banks and Offices		1,581,461
Agents' Balances		1,045,825
F.H.A. Mortgages		9,455
Home Office		547,195
Accrued Interest and Other Funds		1,242,868
Total Admitted Assets		$17,027,629

RESERVES AND SURPLUS

Claim Reserve		$ 5,466,417
Unearned Premiums		6,816,584
Commissions		83,030
Tax Reserves		390,297
Miscellaneous Reserves		719,587
Contingency Reserve	$ 751,714	
Capital	1,300,000	
Surplus	1,500,000	
Surplus to Policyholders		3,551,714
Total Liabilities		$17,027,629

ANCHOR CASUALTY COMPANY • SAINT PAUL, MINNESOTA
QUEEN CITY INSURANCE COMPANY • SIOUX FALLS, S. D.

Kemper Companies Test Budget Pay Plan In New York

"Kemper Insurance Plan," a monthly premium budget plan for fire and most casualty policy premiums, is being test-marketed in the upstate New York territory of the Kemper group. Business as well as personal coverages may be budgeted under this plan.

The area covered includes all of the state outside of New York city, Long Island and Putnam, Rockland and Westchester counties. Acceptance of the plan in the test area will determine future expansion.

Insured makes a down payment of 20% and selects a 5, 10 or 20 monthly plan for the balance. Service charges are figured at 5%, simple interest amounting, for example, to $1.25 for each $100 of deferred balance on a 5-payment plan.

Hailstorm Damage Set At $519,000 In Colorado

Insured loss in the Ft. Collins, Colo., area caused by a recent hailstorm has been estimated at $519,000 by General Adjustment Bureau.

With approximately 2,890 losses to handle, GAB has had to augment its staff. It estimates average dwelling loss at $150, and average mercantile loss at $365.

Towns hardest hit by the hailstones were Fort Collins, Brighton and Windsor. Composition roofs, as usual, were especially damaged, and there was also considerable interior damage.

Greater Miami Board First In Planned Hiring Program

Greater Miami Insurance Board has set up a personnel hiring program—believed to be an industry "first"—to attract high potential career employes from local high school graduates who do not intend to enter college.

The program was developed by the board's education committee after several months of research and consultation with personnel experts. The basis of the hiring system is a copyrighted employment portfolio for employers which includes a guide, application form, tests and grading standards.

Oren Morton, chairman of the committee, pointed out that decisions to hire or reject applicants must be made in 20 to 30 minutes of interview and evaluation time. It is important that the right decisions are made, he said, since surveys show the approximate cost of employing one person in any business up to the time he is properly trained is $500. The employment portfolio enables employers to grade many applicants in one morning session, and its future use will be extended beyond high school graduates.

N. C. Insurance Women Elect

North Carolina Assn. of Insurance Women elected the following officers at the annual convention in Sedgefield: Mary M. Branch, Raleigh, president; Margaret Hudgens, Wilmington, and Betty, LaFevers, Asheville, vice-presidents; Irene Harrell, Raleigh, secretary; Odie Parnell, Greensboro, assistant secretary; Bertha H. Conger, Statesville, treasurer, and Anne S. McGhee, Durham, historian.

Lola Jean Yoder, Winston Salem, retiring president, was elected chairman. Named as directors were the following local association presidents: Jessie Poole, Asheville; Edna McLean, Greensboro; Florence Turner, Charlotte; Ethel Harris, Durham; Katherine Lee, Shelby; Mable Carmichael, Raleigh; Lois Hair, Statesville; Genevieve Moore, Wilmington, and Martha Fare, Winston-Salem.

N. H. Agents Show How UM Is Working

New Hampshire Assn. of Insurance Agents has issued a bulletin describing the effectiveness of the New Hampshire plan of uninsured motorist coverage in the basic auto liability policy.

The son of a prominent Ashland, N. H., doctor was walking along the road and was struck across the neck and shoulders by a roll of linoleum protruding from the back window of an uninsured car. The motorist had no tangible assets and even a court judgment could not have been satisfied. The victim's father had UM, which extends to insured's families, and the cost of personal injuries was paid.

A Hampton, N. H., insured driver moved into the center lane of a three lane highway to pass slower moving vehicles and was involved in a head on collision with an out of state, uninsured car, which was also in the center lane for passing. Insured, his wife and three children were injured. Since he was guilty of contributory negligence he could not recover, but the negligence could not be imputed to his family and they will recover. They would have had no recourse under compulsory, the association points out.

In addition to this effective public relations bulletin the association has also sponsored and printed a leaflet explaining the penalties imposed on uninsured motorists and directing them to see an agent before they lose their license and plates. A half million leaflets were given to the state motor vehicle department, which is enclosing one in every mailing.

WC Award In N. J. Upsets Precedents

New Jersey supreme court, in a six to one reversal of a lower court, has allowed a WC award to the widow of a worker with a heart condition who died after ordinary exertion required by his job. Court precedents had required proof of injury because of unusual exertion, occupational disease or hazard.

Frank Ciuba, an employe of Irvington Varnish & Insulator Co., died after helping to set up a piece of machinery in the usual course of his duties, and Essex county court denied Mrs. Ciuba's claim.

The high court, however, ruled: "It is basic to the statutory policy that, if strain or exertion attending the rendition of the service aggravates or accelerates the progress of a pre-existing physical infirmity or condition, due to either trauma or disease, and disability or death ensues, there is a compensable accident and injury." The key question, the court said, is: "Did the accident come from the disease alone, or did the employment contribute to it?"

Elect Kelly To Head Cal. County Mutual Assn.

California County Mutual Insurance Assn., meeting at the Flamingo hotel, Santa Rosa, Cal., elected as president Andrew J. Kelly, Mutual Fire Assn. of Tulare County, Visalia. Other officers elected are J. Robert Doud, Ventura County Mutual Fire, Oxnard, vice-president; Robert Soellner, Palo Alto, executive secretary; Ralph H. Bennett, Ventura County Mutual Fire, Ventura, secretary-treasurer.

'Post' Spotlights Discriminatory A&H Rates

(CONTINUED FROM PAGE 12)

any particular treatment, and most often the cost to the patient is based on his ability to pay. When a doctor feels that a patient can afford no more than his minimum figure, he sets his fee at the low end of the scale. But the moment he realizes that this same patient is covered by some kind of health program, the fee is set at the higher end.

Among doctors and insurance companies this is known as "fudging," and although the practice is not considered unethical in the strictest sense of the word and a doctor may feel he is honestly charging a fair price for his service, it often adds as much to insurance costs as do the pricing habits of the doctor who is consciously trying to bilk insurance companies.

Insured patient abuses, too, are adding considerably to the costs, according to Mr. Silverman. Some patients are demanding and getting treatment which they ordinarily would not require or ask for if they were not covered by some type of health insurance program. One of the worst offenders in this group is the insured who has been paying his premium for years without ever having collected on his insurance, and suddenly decides that he wants to get his money's worth.

Makes Unreasonable Demands

This is the type who makes unreasonable demands upon his insurance company for all sorts of treatment not covered in the policy, or simply decides that he needs a well-earned rest and commits himself to a hospital on the vaguest pretense. He is the type who, for one reason or another, feels that he ought to get back some of his premium, writes Mr. Silverman, "even if he has to get himself carved up by a surgeon to do it."

Mr. Silverman mentions the fact that a national survey by Health Information Foundation showed that a higher percentage of insured patients go to a hospital each year than uninsured patients.

The survey quoted in the *Post* further showed, "The typical patient with health insurance spent an average of one day a year in the hospital, as compared to 0.7 of a day for the typical uninsured patient."

While in the hospital 9% of insured patients underwent surgery of some type, yet only 5% of those uninsured went under the knife.

One case in Tennessee reported by Mr. Silverman involved a woman who, when she wanted to go away alone with her husband for a week-end, deposited her daughter in the local hospital on a Friday night and told admitting officers that she "thought" the child had measles. She then went off until the following Monday when she returned to pick up the child. In this particular case, Blue Cross paid the room, board and baby-sitting bills.

Certain hospital practices mentioned by the *Post* article which helped to raise insurance rates were:

The habit some institutions have of admitting patients on a Friday evening for laboratory examinations, when hospital officials know full well that their labs are closed on week-ends. A charge of from $20 to $25 a day is thus unnecessarily added to the bill because the patient cannot be tested until the following Monday morning when the laboratory personnel return to work.

Permitting patients to take home medicine which in many cases is enough to last them for several months, just because some insurance company is picking up the check.

And despite overcrowded conditions in most hospitals, the very common practice by many of them of consciously trying to keep every hospital bed filled, thus encouraging unnecessary and lengthy stays among patients who could just as easily be treated at home.

MacLean To Retire As Coast Casualty Head Of Chubb

James S. MacLean, manager of the casualty claims department of Chubb & Son on the Pacific coast will retire on July 1, 1958 under the company retirement plan. He has been with Chubb & Son for 26 years.

Mr. MacLean will be succeeded by John J. Guheen who has been his assistant since 1947 and has been active in insurance claims in northern California since 1940.

A. E. Bowman Promoted

American has appointed Alfred E. Bowman assistant bond manager at the Newark branch. He joined the group at the head office in 1930. Subsequently he directed fidelity, burglary and glass underwriting for Bankers Indemnity and continued in this post for American when Bankers Indemnity was integrated with the parent company. He was named assistant superintendent of the expanded bond, burglary and glass underwriting department in 1956.

New Hampshire Assn. of Insurance Agents has added an attractive two color cover to its official publication, *Granite Chips*. The June issue carries the title in white letters against a background of a granite block, and an index to the informative contents of the improved magazine also appears on the red and white cover.

John C. Weghorn, New York City agent, will be the principal speaker at the June 17 luncheon of the Young Men's Board of Trade.

Peterson At N. Y. For Hartford Steam Boiler

Hartford Steam Boiler has appointed Henry D. Peterson assistant manager at New York. He joined the company as a special agent at Atlanta in 1946, went to Philadelphia as supervising special agent in 1957, and was named assistant manager there earlier this year.

GAB In N.Y., Va. Shifts

General Adjustment Bureau has appointed Richard H. Work manager of the eastern department's casualty division to succeed Ransford B. Kober, who relinquished managerial duties because of ill health.

Mr. Work joined GAB in 1952 as manager of the casualty-automobile division of the Rocky Mountain department.

On his return to active duty Mr. Kober will resume his previous position as field examiner, in the casualty division at Newark.

H. J. Wyche Jr., formerly at Rockingham, N.C. is now resident adjuster at Martinsville, Va., succeeding P. B. Robinson, who resigned.

Fred L. Hans, for 51 years an agent at Great Bend, Kan., has sold his business to Jack Morrison Jr. and Wayne Morrison. Mr. Hans will continue on a part-time basis with the Morrison agency.

Offers New Rating Method For Automobile

(CONTINUED FROM PAGE 1)

an adjustment on rates. Mr. Bell said this is a move in the right direction, but is only a compromise and does nothing for the policyholder. The real correction, he suggested, lies in the abandonment of the obsolete formula providing for producers' compensation on the basis of percentage of the total premium.

If his plan for rating were adopted, Mr. Bell said, the agent would receive the same commission for the production of all auto policies, without regard to classification or the total premium paid by the policyholder. The difference in commission under the current formula and his proposed formula would be an automatic reduction in the premium charged to the policyholder.

It might be said in opposition that it will make the handling of accounts current more difficult, and Mr. Bell admitted the present methods might have to be changed, but he commented they are "none too good at the present time anyway." He offered the thought that they might be improved in the process of adaptation to a new rating method, "but unless a change is made to the proposed or a similar method, of equitable allocation of costs in relation to the effort involved, the result will be even worse for the companies and the producers as a result of public clamor for additional state intervention."

Would Be Immediate Benefits

Aside from the social implications, Mr. Bell said there would be immediate competitive benefits for the agency companies which have been pressed to cut down the margin for contingencies in the high rated classifications by loading somewhat higher margins into the low classifications. This was done for competitive reasons, because the current formula requires the loading for additional loss costs to be increased by a 25% provision for commissions plus another 2½% for taxes. Mr. Bell pointed out that to absorb this load class 1, representing about 75% of the total volume, was loaded higher than necessary. "Contrary to expectations, this only further underlined the competitive advantage of the direct writers. They shape their rating schedule to reduce as much as possible the premiums on class 1 business so as to be most effective competitively in this field, at the same time offering very low discounts on class 2 in order to discourage volume. Thus to the direct writer, class 2 business is more tolerable and is even profitable in some territories because they can use a part of the commission loading which is not necessary for the payment of their own actual producers' compensation for the payment of the excess claim cost load."

Handicaps Would Be Reduced

These competitive handicaps to the agency companies will be reduced to some extent under his proposed rating method, Mr. Bell said. Each classification will be rated to stand on its own feet and it will not be necessary to have an extra margin in class 1 to cover shortages in class 2. Rates for class 1, the bulk of the business, could be reduced and still allow for a fair margin for profit and contingencies. On the other hand, rates for class 2 could be recalculated to provide a proper margin for losses and still be reduced by the elimination of 25% provision for commission. "This will assure the operation of the classification system on a fair and equitable basis for each class will carry its own load of loss cost without at the same time carrying an excessive load of unnecessary commission costs."

Russell H. Matthias of the Chicago law firm of Meyers & Matthias, discussing current legislative trends, repeated his theme of recent months that under the all-industry rating laws the power of the insurance commissioner over ratemaking is too great and inflexible, especially in states having compulsory automobile liability insurance laws. Frequently the judgment of the commissioner is substituted for that of insurance management, and especially when political pressures dictate that auto rates remain static. Mr. Matthias said that under rating laws particularly with the advent of compulsory, there will be an ever increasing friction between the company management and department officials over auto BI rates.

More Power To Management

"The only way that the industry can protect itself against over-regulation and arbitrary refusal to approve adequate rate increases where needed, is to amend the rating laws so as to place in the hands of management more power with respect to the making of rates and to remove from those laws the present authority of the supervisory officials to substitute their own judgment for that of management," he declared.

In his talk entitled "A Decade of Experience of the All-Industry Concepts of Rates and Rating," Commissioner Joseph A. Navarre of Michigan commented on the forthcoming investigation of insurance by the anti-trust and monopoly subcommittee of the U. S. Senate.

Will Examine Competition

Mr. Navarre, who is president of National Assn. of Insurance Commissioners, said it appears that the subcommittee will undertake to examine whether the degree of competition is such that Congress has reason for being satisfied or dissatisfied with the results of Public Law 15. It would thus seem timely, he commented, to make a start on the "really very difficult task" of thinking through what is meant by competition in insurance and, then, looking at the facts.

He offered some tests of "effective competition," mentioning that buyers should have genuine alternatives available so that by shifting their buying from one seller to another they can influence quality, service and price; it must be possible for new sellers to enter the market; and buyers and sellers should know of the alternative sources of supply and the action these sources are taking. Some parts of these concepts are not appropriate to insurance, Mr. Navarre admitted, but one of the tests is the provision in the all-industry bill allowing deviations. While it would be a substantial chore to develop a definitive list of deviations with full documentation, he said a sample is the 1952 deviation list from the rates of New York Fire Insurance Rating Organization, showing 129 deviations of one kind or another for 103 of the members and subscribers. The total number of members and subscribers at that time was 254, so about two fifths had one or more deviations in effect.

An outstanding example of improvement in product is that in the workmen's compensation policy which was accomplished despite the fact that the coverage has been standardized and the rates are the same for all companies. Mr. Navarre said the point is not so much that changes can occur which are motivated by competition, but that they occur within a fully regulated line and within a system marked by universal membership in rating organizations.

In the fire field there have been the development of the manufacturers output policy and fire legal liability forms, and the action of one of the large companies in resigning as a member from the fire rating bureaus and becoming a partial subscriber so as to file its own residence fire and EC rates.

"This 'opening up' of the fire rating organizations by the exercise of rights granted under the all-industry fire bills," Mr. Navarre observed, "may well turn out to be one of the great changes of the last decade."

However, he added, the preservation of competition is not the sole objective of insurance regulation. He said the prime objective is preservation of the solvency of insurers, followed by the assurance that the practices of companies are equitable and do not involve unfair discrimination or other unfair acts, followed by the preservation of competitive opportunity "without making the achievement of the primary goals impossible or unduly difficult."

Bill Forces La. Fire Companies Into Bureau

A proposal forcing fire companies into Louisana Rating & Fire Prevention Bureau has passed the house with an amendment permitting some mutuals to maintain their own bureau. The legislation requires the Louisiana bureau to audit all fire policies in compliance with approved filings.

Another proposal, sponsored by Commissioner Hayes and unanimously passed, would regulate the sale of insurance stock. Also approved was a bill setting minimum paid-in surplus and capital of mutual, stock and reciprocal insurers at $150,000 instead of the present $125,000.

Cox And Clement Take New General Re Posts

Virgil Q. Cox has been named claims counsel of General Re and Michael A. Clement has joined the underwriting staff of the facultative department.

Mr. Cox was formerly a vice-president and claims manager of Security. Earlier he had been with Dixie Fire & Casualty, Shelby Mutual, and National Board. During World War II he served as a special agent of the FBI.

Mr. Clement was insurance manager for six years with Merritt-Chapman & Scott, and for the past three years has been insurance manager of General Dynamics Corp.

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Dr. Claire L. Straith, head of Straith Memorial hospital, Detroit, told **Detroit Insurance Adjusters Assn.** that improved plastic surgery may serve to hold down personal injury judgments. Too few medical schools currently teach plastic surgery techniques and too few young doctors show an interest in performing operations of this character in connection with emergency cases, he said.

N. J. Charity Ruling May Raise Rates

Insurers are studying the recent decisions of the New Jersey supreme court which appear to reverse the long standing doctrine of immunity from tort liability of charitable institutions, in order to determine the effect of the decisions on liability rates, Richard H. Elliott, manager of the general liability division of National Bureau of Casualty Underwriters, told representatives of New Jersey, New York and Pennsylvania state hospital associations attending Middle Atlantic Hospital Assembly in Atlantic City. He discussed the effect on rates of court decisions similar to those handed down in New Jersey.

Obviously, the experience incurred in the past by insurers in connection with risks enjoying some degree of immunity from tort liability cannot be taken as an accurate indication of what the future experience might be when there has been a substantial change affecting such immunity, Mr. Elliott said.

The recent decisions of the New Jersey court seem to constitute a reversal of the long standing doctrine of immunity from tort liability enjoyed by charitable institutions, he said. He added that there is a bill in the New Jersey legislature which would reinstate immunity from tort liability as respects non-profit corporations, societies or hospital purposes. However, the bill specifically provides that such exemption from liability for negligent acts does not run to agents or servants of such charitable organizations.

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Pilcer & Frank Honored By America Fore On 40th Year

J. Victor Herd, chairman and president of America Fore, was toastmaster at a luncheon in the group's executive dining room to mark the 40th anniversary of Pilcer & Frank, international brokers of New York City, who have represented Continental for the entire 40 years.

The co-founders of the brokerage firm, Louis A. Pilcer, retired, and Harry Frank, who heads the company and its reinsurance affiliate of the same name, were present with their colleagues, Philip Frank, Walter G. Pilcer and Charles Rosenthal. America Fore representatives attending were Executive Vice-president Nicholas Dekker, vice-presidents Frederic G. Buswell, Frank S. Ennis, Frank G. Haley, R. Newell Lusby, Robert H. Nichols, Nathan H. Wentworth and Melford J. Pitre; Dr. Fred J. Schilling, medical director and Dr. Siegfried J. Nilson, medical director emeritus; Frank A. Christensen, retired chairman and president, and Gilbert L. Kerr, retired vice-president.

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GAB Opens New Branches

General Adjustment Bureau has established a branch at Johnson City, Tenn., and advanced I. R. Thornberry Jr. from resident adjuster to manager.

R. G. Nelson, formerly adjuster in charge at Farmville, Va., has been named manager of the new branch there.

John P. Holloway Jr., senior adjuster at Norfolk, has been promoted to manager at Goldsboro, N. C., to succeed W. H. Richardson Jr., who has gone to Jacksonville, Fla., as senior adjuster.

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Reeves Heads State Of Ky.

H. Clyde Reeves, executive director of Kentucky State Fair & Exposition Center at Louisville and for 20 years a state politician and insurance man, has been elected president of State Ins. Co. of Kentucky.

State of Kentucky writes hospital, medical, surgical and income protection and life policies on individuals. The chairman is John D. MacArthur, who is also the president of Bankers L. & C. of Chicago. Mr. Reeves will continue as head of the state fair organization. He was with Bankers L. & C. several years ago as an administrative assistant to Mr. MacArthur and later was in charge of public relations of Stephens College, Columbia, Mo. As president of State of Kentucky, he succeeds Thomas P. Rogers, resigned.

Arkansas Agents Hold Educational Meetings Throughout State

A mammoth, statewide educational program in which 1,207 persons were enrolled in nine one-day regional meetings was staged late last month by Arkansas Assn. of Insurance Agents with the cooperation of the Arkansas Field Club.

The "faculty" for the meetings were six out-of-state home office men, all specialists in package policies. They were divided into two-man teaching teams, each team holding three regional meetings on successive days. The teams were accompanied by members of the field club.

The "eastern" team of T. R. Schultz, Home, and Joseph Turner, America Fore Loyalty group, held meetings in Batesville, Jonesboro and Helena. Henry A. Ritgerod, Little Rock, represented the field club.

The "central" team, which conducted meetings in Pine Bluff, El Dorado and Little Rock, was staffed by James Mappus, U.S.F.&G., and James Wilson, Fireman's Fund.

The "western" team, which visited Fayetteville, Fort Smith and Hot Springs, was composed of Culver Davis, St. Paul F.&M., and Ross McCain Jr., Phoenix of Hartford.

Planning and organizing of the regional schools was under the direction of an agents' committee headed by W. G. Cobb, Little Rock, vice-president. The field club's committee consisted of Henry A. Ritgerod, chairman, W. R. Smith, Robert P. Paylor and Thomas R. Bramhall.

Rules On Tax Position Of Iowa County Mutuals

DES MOINES—The Iowa attorney general's office has ruled that county mutual insurance associations are subject to both real estate and personal property taxes. However, in the same opinion it was held the county mutuals are not subject to the state moneys and credit tax on surplus or other similar funds.

In holding they are subject to the real and personal property taxes the opinion held county mutuals were of necessity in the same category as state mutuals as they are required to organize under the section of the statute pertaining to corporations for pecuniary profit. For the moneys and credits tax the opinion pointed out that county mutuals were specifically exempted from the tax on funds accumulated for the purpose of fulfilling policies or contracts of insurance.

April Traffic Deaths Down, 6th Month In Row

Traffic deaths in April for the sixth straight month were below those of the same month in the previous year, according to National Safety Council. The April fatalities were 12% down, the biggest decline for any month since October of 1956, numbering 2,600 as compared with 2,950 in the same month last year, and for the first four months the number of deaths were 10,330, the lowest for this period of any year since 1950 and 8% below the 11,200 in 1957.

The mileage death rate (number of traffic fatalities per 100 million miles of motor vehicle travel) was 5.2 for the first two months of 1958, the lowest on record for that period.

Losses Grow In Canada

Insurers had a combined fire, casualty and automobile loss of about $82 million in Canada in 1957, following a $28 million loss in 1956 and a $10 million profit in 1955. Premium income increased 44% in the past five years, but claims paid rose 86%.

The figures were reported to the annual meeting of Canadian Underwriters Assn. at which C. G. Angas, Yorkshire, was elected president, and R. M. Sketch, Phoenix of London, and C. D. Trusler, Commercial Union-Ocean, were named vice-presidents.

Wisconsin Buyers Name Widtmann President

Arthur A. Widtmann, A. O. Smith Corp., has been elected president of Wisconsin Insurance Buyers. Other new officers include Joseph E. Hilmer, S. C. Johnson & Son, vice-president; Robert E. Krause, Briggs & Stratton Corp., secretary; and Joseph A. Hussa, First Wisconsin National Bank, treasurer. All officers except Mr. Hilmer are from Milwaukee.

New Hampshire Insurance Women's League honored Miss Helen O'Brien, newly elected president, at a surprise testimonial party at Portsmouth. Gifts were presented by New Hampshire Assn. of Insurance Agents and by the Portsmouth Association. Commissioner Donald Knowlton was a guest.

IM Claims Assn. Of N. Y. Elects Marks President

Inland Marine Claims Assn. of New York at its annual meeting there elected as president William B. Marks of American Home, as vice-president Howard L. Hitchcock of Security Mutual Casualty, as secretary Thomas Horan of Appleton & Cox, as treasurer George F. Higgins of Phoenix of London, as assistant secretary Lester C. Pike of W. S. Roberts Inc., and as directors Robert L. Cherrington of American Surety, Frank Jarman of Atlas, and George Peterson of American. The audit committee is Theodore D. Davidson of Theodore D. Davidson Co. and Howard E. Weed of Boston.

Nuclear Clause Applied To New England Package Forms

New England Fire Insurance Rating Assn. has issued a mandatory nuclear clause endorsement to the following multi-peril policies: Homeowners A, B and C, comprehensive dwelling, commercial property, industrial property, and office contents special form. The endorsement applies in Maine, Vermont, Massachusetts, Rhode Island and Connecticut.

Fireman's Fund Appoints W. H. Irby At Los Angeles

Fireman's Fund has appointed William H. Irby manager of marine operations for southern California at Los Angeles. He succeeds Larry Bulkley who will soon resign.

Beling Talks To Brokers

Oscar Beling, manager of the agency systems department of Royal-Globe, spoke on office systems and procedure at the June meeting of Brooklyn Insurance Brokers Assn.

Tangier Insurer To Have Its Day In Court

(CONTINUED FROM PAGE 4)

of officers, directors or other persons who actually own or control the company. The only names they have are J. W. Ehrlich, San Francisco, major trustee and several other names of trustees—one of which was Henry North, vice-president of Metropolitan Life, who stated he had no active part in the company but had allowed himself to be named a trustee temporarily by request of J. W. Ehrlich. Mr. North resigned shortly after the company's brochure listing the names of trustees and showing a trust fund in the Pacific National bank of $1,200,000 was issued. Mr. North said he had no active part in the company —which has been confirmed. Investigation of the trust fund has revealed numerous discrepancies, according to the attorney general—it was substantially smaller than listed and consisted mostly of first and second mortgages, mostly on Chicago property, some of which were owned by Chicago trustees who have recently demanded return of some $600,000 mortgages on the claim they were never intended to be a part of the trust but were merely being held in escrow by the bank as part of the trust. The bank has also had to do some explaining to bank officials and the state.

Found Office Empty

When officers went to the offices of Stewart B. Hopps, alleged to be the real operator of International Guaranty, they found them empty. Hopps had reportedly packed up and gone to his New York offices, said to be at 44 Wall Street.

The officers had gone to serve Hopps and employes with subpoenas to appear before the department at a hearing slated for June 23. Later subpoenas were served on two employes, Robert Gotz, at his home in Martinez, and Ida Stromback, said to have been Hopps' secretary.

Investigation revealed that a considerable amount of office furniture, equipment and some files had been carried to Hopps' luxurious home at Belvedere and some to the estate of J. W. Ehrlich, the attorney who has been acting as principal trustee for the company, in Corte Madera.

Hopps operated in his San Francisco offices as the United States Marine & Foreign Securities Ltd. There is a report that official agencies are also looking into its operations throughout the country. In addition to Hopps the investigators from the department and attorney general's office are also seeking Robert Hopps, his son, who has been active in various phases and organizations charged with having some operating connection with the mysterious Tangier company.

A check with the Hopps home in Belvedere brought a statement from Mrs. Hopps that he had gone; that he was through with California; that he has been harrassed by the California insurance department for several years.

Hopps has been in trouble with the insurance authorities of more than one state over the years. The suit against him filed in Marin county—where Belvedere is located—for $7,940,000 resulting from the collapse of the Rhode Island, is still pending. There is at least another suit resulting from the Inland Empire case against him. Two years ago he became involved when a proposed inter-insurance exchange attempted to obtain a license to operate, with a questionable statement of resources; Hopps was then accused of being the man behind it. This exchange, designed, it was said, to write automobile insurance through unions, was apparently headed up by a former associate of Hopps and "financed" partly by an Alabama company which went defunct a few months after the California department conducted its investigation, resulting in withdrawal of the application for a license and abandonment of the entire plan.

In the meanwhile, Commissioner McConnell said that he is obtaining depositions from several other states to back up his contentions regarding the illegality of the insurance company and Hopps connection with it.

The authorities still do not have any tangible information of who—or what —the International Guaranty really is —as far as its real owners and finances are concerned.

Give Wrong Wet Marine Premiums For Central Surety

The earned premiums for ocean marine business of Central Surety on page 134 of the 1958 *Argus Fire Chart* are incorrectly quoted as $2,224,000. The correct volume of earned ocean marine premiums for this member of the North British group is $224,000.

Auto Club Elects

Automobile Underwriters Club of Philadelphia has elected Emerson M. Cannon, American Surety, president; Wesley Fox, Massachusetts Bonding, vice-president, and William Koegel, Reliance, secretary.

Chicago Claims Adjuster, Garage Owners Found Guilty In Fraud Case

William G. Keating, adjuster for New Amsterdam in Chicago, pleaded guilty to a charge of conspiracy to obtain money under false pretenses and was sentenced to one year's probation. Seven other indictments against him were dismissed.

Garage owners named with Keating in defrauding the insurance company in the handling of automobile repair claims were David Cohen, co-owner Durabake Auto Painting, Inc., John Knapp, co-owner Kenwood Auto Construction Co., and Wilbur Eisenberg, co-owner Roosevelt Auto Construction Co., all of Chicago. The garage men also pleaded guilty and were sentenced to one year's probation, Knapp receiving a $50 fine.

In his confession, Keating stated that he delivered blank releases and proof of loss to the garages so that the co-owners could secure the claimants' signatures on them. They were then returned to Keating who usually completed them and issued settlement drafts to the claimants for the amount of money shown. Keating delivered the drafts directly to the garages, receiving kickbacks in cash, and the claimants' signatures were then forged to the drafts. Keating admitted that he had obtained up to $4,000 from the scheme. Settlement draft forgeries totaled approximately $15,000.

Commissioners Hold Annual At Chicago

(CONTINUED FROM PAGE 1)

been in its new quarters on the eighth floor of the Inland Steel building in Chicago. The public display was held off until the NAIC meeting, so that the maximum number of members could be invited to what might be termed the grand opening.

Officers and directors of NAII and the staff constituted a long receiving line for the several hundred visitors. NAII is in Chicago's newest office building, and its quarters are in keeping with the modern tone. The old offices at 111 West Washington were bursting at the seams by the time NAII departed.

NAIA Buffet Lunch Popular

One of the popular affairs at the NAIC meeting was a buffet lunch conducted by National Assn. of Insurance Agents. All of the commissioners were invited, as well as local agents attending from the various states. In a good many cases this was an opportunity for the agents to get a first hand look and talk to their top state insurance official on an informal basis.

As a memento of the occasion, photographs were taken of the insurance officials with as many agents as were present from their states. Commissioners were on hand from 20 states.

The subcommittee to study statistical, rating, and filing problems of multiple line contracts presented a report which met a decidedly mixed reception. Some of those present felt that an all industry committee should be set up to study it, but others stressed, in an equally vehement manner, that the report had been in circulation for a sufficient amount of time for anyone to make known his views on it. The meeting closed on this non-conclusive note. Vorys of Ohio presided.

Present Three Resolutions

The subcommittee to study and review the term rule and its influence on basic rating formula, under Bennett of Iowa voted to present three resolutions to the parent committee. These resolutions recommended continuing study of rating formula, the effect of the underwriting of five year term contracts, and the problem of "free insurance."

That all commissioners should "proceed expeditiously" to make plans to introduce the credit life and credit A&H model bill in their legislatures was the recommendation of the subcommittee under the chairmanship of Gerber of Illinois.

Met With Industry Committee

The subcommittee to analyze and review examinations of insurance companies to perfect practices and procedure announced it had met with an industry committee and had formulated an 11-point resolution calling for an increase in participating companies, affiliated companies should be examined at the same time, the manual of examination should be constantly revised; cost of examination should be reduced and made more convenient; qualifications of examiner should be made of prime importance; examiner's staff should also be efficient and well-trained; examiner (or some member of his staff) should have a knowledge of electronics; examiner's report should be made available to the examined company as it becomes known so as to iron out minor difficulties causing unnecessary expense; the number of, and time between, examinations should be made generally available; examiner's report should be relieved of a great deal of irrelevant detail; and it is not thought that a uniform law regarding examinations is necessary.

The subcommittee to study problems incident to cancellation of A&S policies asked J. F. Follmann Jr., director of information and research Health Assn. of America, to read a summary of the survey the association had made for NAIC on company cancellation practices.

Mr. Follmann noted that the survey, conducted from April 1 through Sept. 30, 1957, involved 366 companies writing approximately 95% of the individual cancellable A&S premium volume. Some of the highlights were:

Of 20,664,433 policies, 99.57% were continued in force without any re-underwriting action during the survey period. Of the 0.43% receiving some form of re-underwriting, 40% were continued in force, and 60% were cancelled or non-renewed. Of these latter, about 33% could have been avoided had offers by the company of waiver, substitute coverage, or substandard coverage been accepted by the policyholder.

13.2% Had Claims

Of the total policies in force, 13.2% had claims paid out on them. Thus, on a yearly basis, claims were paid out on 26.4% of the policies. Of the policies on which claims were paid, 2% were cancelled or non-renewed.

Almost 38% of the companies were reported to have voluntarily placed some restriction on their right to cancel or non-renew.

Of the policies cancelled or non-renewed, 49.2% were attributable to deterioration in the health of the insured; 28.6% were due to misstatements or omissions in the application on the part of the insured, abuse of coverage, or other actions affecting his insurability; 9.3% were caused by the insured reaching the age limit; 8.5% were due to excessive claims, and 4.4% were for miscellaneous reasons.

Sums Up Survey

In summing up, Mr. Follmann stated that policyholders who had their policies cancelled or non-renewed generally received benefits in excess of, and on the aver twice the amount of, the premiums they had paid on the policy. On the average, about $300 was paid in benefits as compared with about $150 in premiums at time of cancellation or non-renewal, he said.

Before a jam-packed attendance, the subcommittee on non-profit hospital and medical service associations, Smith of Pennsylvania chairman, voted to delay the presentation of any report for six months. This was to await the results of various surveys now under way.

Commissioners "Baffled"

Tuesday's sessions got started with the frank admission of Mahoney of Maine, chairman of the subcommittee casualty and surety subcommittee, that he and all the commissioners he had spoken to were "baffled" by the question of whether warranties on used cars were, or were not, insurance contracts. Throwing the meeting open to discussion from the floor, Mr. Mahoney was soon seconded in his statement by a number of speakers.

Frank M. Hart, Kentucky, noted that his state has defined the problem as follows: if the car is warranted at the standard price of the car, it does not constitute an insurance contract; if, however, an additional cost is charged, a contract is said to exist.

Premo of Connecticut, said the problem had been a "real nuisance" since 1954. He stated that the attorney general had ruled in 1956 that the auto service contract did constitute insurance and therefore had insisted that they be accordingly registered as insurers.

Located In New Jersey

Because many of these warranty corporations are located in New Jersey, the representative from that state, T. A. McNicholas, said an extensive study had been made. This survey indicates that these are warranties and not insurance contracts, he said. But he went on to describe the opinion of the state's attorney general who insists that they are insurance contracts. Mr. McNicholas suggested that legislation decide once and for all exactly what these warranties really are. This last suggestion was eagerly taken up by those present.

At the first plenary session, which closed Tuesday's activities, Navarre of Michigan, president of NAIC, warned that tests of an economic, social and political nature are inherent in any business and that these will best be solved by recognizing that insurance's primary duty is to the insured. Equating the problems of insurance with the problems of liberty itself, he stated that the commissioners were "lowly ministers with great power to be used with much discrimination."

Joseph T. Parrett, insurance manager Carnation Co., and president of Society of American Insurance Management, was the featured speaker at this session. In his talk, "The Policyholder Appraises State Regulations," he stated the buyers feel state regulation is the only answer. He said that once federal regulation gets into the picture there is no stopping it.

Mr. Parrett presented a number of questions which he said bothered policyholders and might well prove embarrassing to those in insurance. Why are there so many rating bureaus? Don't some of these amount to duplications? Why is a contract good in Ohio, for instance, and not good in Oregon? How efficient really are the companies?

62% For Federal Regulation

A survey had been made, Mr. Parrett noted, which revealed that 62% of the public were in favor of federal regulation, and 18% thought they already had it!

In a plea for better public relations, Mr. Parrett closed by saying that "a miserable job is being done in explaining what a good job the people in insurance are really doing."

Binning of Nebraska presented Nebraska Navy commissions to the following: Premo of Connecticut; Neil Russell, Chicago Motor Club; Ralph Jones, Continental Casualty; Earle of Oregon; Harrison of Texas; David B. Irons of Texas; Jackson of Texas; Strain of Texas; Pearson of West Virginia, and Wikler of New York.

Control of Independent, Freedom of Captive Agent Is Trend Says Lang; Hits Status Quo

(CONTINUED FROM PAGE 29)

property and casualty insurance is only legal in four states, primarily because of 'administrative discretion in applying the unfairly discriminatory test under the rating laws. However it is also significant that if proper rating plans and procedures were submitted, few states would have statutory provisions barring such contracts.' It is noteworthy that in reply to a questionnaire, five companies stated they were selling this type of contracts and reports indicate that 12 more were doing so. We will undoubtedly hear more debate on the subject, but looking at the growth of group life and disability insurance it is very possible that property and liability distribution will move in the same direction."

He noted the development of installment payment plans, and predicted their growth. He also referred to the growing capacity of the domestic market which now takes special risks formerly placed abroad, and said that excess pools and other cooperative devices would develop to supplant the need for foreign markets. Surplus business will also be accommodated in this country increasingly in the future, he predicted. In all of these developments the companies are showing more ingenuity.

Mr. Lang said that in contrast to one-stop, account selling on personal risks there is a trend toward specialization for commercial and industrial lines which allows an agent to concentrate his technical proficiency and summarize his sales procedure. This specialization is unlikely to come from a one man agency, but will be available from a partner or employe in the larger professional organization—which means there will be fewer but more efficient agencies with larger and better staffs and with experts in each line backing up solicitors who will make initial contacts.

Turning to expense control, Mr. Lang said that electronic equipment can take over many functions. He cautioned however that companies should not climb on the electronic bandwagon and think all their problems will be solved, for machines cannot think. They will lower distribution costs by a fraction, but insurance still has to be merchandised, and the companies with better planning in this field will surpass competitors even if they have the most elaborate equipment.

Concludes By Summarizing

He concluded by summarizing his program for management's consideration in meeting the challenge of tomorrows distribution problems: Get rid of antiquated misconceptions; relate current trends to the specific company; use planning in all of its aspects; innovate new coverages; analyze the sales organization structure; coordinate marketing with other functions; use modern tools for recruitment and selection; provide adequate training; set standards for sales supervision and control; institute equitable compensation plans; replace antiquated manpower with new blood; attempt new merchandising methods; reduce distribution costs; delegate authority but keep sufficient control, and create enthusiasm throughout the organization.

Finds Shortage Of Actuaries In Fire And Casualty

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insurer are not necessarily engaged in actuarial work, he said. Some are executives, some are underwriters, and some are employed in other non-actuarial capacities.

Of groups with premiums for 1957 of more than $100 million, there are 20 stock, five mutual and one exchange. The average number of actuaries per group are: Stock, just over 1½; mutuals, 3½, and the exchange, one.

Analysis of the 20 stock groups shows two direct writers employed one or fewer actuaries per company and had an operating ratio of 99.8; 13 agency companies had one or fewer per company, and their operating ratio was 105, while five agency companies with an operating ratio of 102.4 had two or more actuaries per company.

Anyone who deduces from these figures that a stock agency company can reduce its operating ratio by a couple of points by employing two or more actuaries is no actuary, Mr. Longley-Cook said. But the figures may indicate that the type of management which appreciates the value of actuarial advice was, on the average, the better operated company in 1958.

Mr. Bondy pointed out that for several years in New York state the purchase of at least 10/20 limits for auto BI has been common practice. Now 10/20 is a universal minimum because of compulsory. In recognition of this fact, over-all rate levels have been based upon 10/20 experience for some time. However, territorial relativities have been established on 5/10 experience, he said.

The results obtained through the use of 10/20 experience may differ from those derived from 5/10 experience in two ways, Mr. Bondy said. In the first place, one territory may actually be subjected to more excess limits claims than the average. This may be due to road conditions, claim consciousness or any of the causes to which high claim cost is usually attributed. The use of 10/20 experience would increase the rates for this territory in relation to the other not subject to such claims in the same degree. This would seem to inject a desirable refinement into the rate making process. It would, to an even greater extent than is the case today, distribute equitably among the territories the cost of doing business.

Appear By Chance

The second possible source of difference between the two bases would be that due to chance fluctuations, he said. Since excess limits claims are of an infrequent or catastrophic nature, it might be argued that the predictability of their occurrence or non-occurrence would not warrant the assignment of a high degree of credibility to this experience. In other words, it would seem on the surface that on the basis of this experience one might attribute to a territory certain characteristics which do not truly pertain to that territory, but which have appeared by chance.

The results of employing 10/20 experience rather than 5/10 are that, in general, rather than using a fixed loading as an estimate of the excess limits loss potential of all territories which is correct for the average of all territories but not necessarily correct for any single one, "we use a quantity which differs by territory," he said. "This quantity tends to be correct for each territory but in any event is within a narrow band of values centered about the 'true' value in a considerable majority of the cases."

Based upon the narrowness of that range of values within which the formula pure premium can be expected to fall 90% of the time, he concluded that the use of 10/20 experience for establishing relativities is a desirable addition to the current rate making system.

Mass. Kills Cut Rate Bill

The Massachusetts senate has voted down a bill to permit the sale of automobile liability at rates less than those set by the commissioner. It was introduced as "an incentive to good driving."

Opponents pointed out that $50,000 was appropriated last year for an insurance study which included the cut rate issue and that its recommendations should be awaited.

Syracuse Insurance Women's Assn. held its annual Bosses Night and installed the following officers: Gail Miner, president; Penny Pettus, vice-president; Ruth Case, secretary; Constance Hawes, assistant secretary; Dorothy Swanson, treasurer, and Regina Adamowicz, assistant treasurer. Catherine Goss, Luella Kempf, Virginia Harkins and Jeanette Keefer are on the advisory board. Mary Kammer, retiring president, presided at the banquet, and Floyd L. Holdridge, president of Casualty & Surety Club of Syracuse, installed the officers.

Sees Progress Despite Sacred Cows

(CONTINUED FROM PAGE 2)

"which gave all of us a feeling of pride and satisfaction because it made it possible for American companies to provide coverage not previously available in the domestic market to such industrial giants as Standard Oil of Indiana." He added that it has also made it possible for Continental to write the largest fire policy ever issued in Texas, covering nearly $133 million of the physical assets of the University of Texas on its various campuses for loss in excess of $100,000.

"Fire rates, then, are not sacred cows, or at least not in most jurisdictions," Mr. Smith observed. Although two states still will permit no coverage of this type, he said it is most significant that so many will, and although deductibles of less than $100,000 are subject to many restrictions, at least two American insurers have filed rate structures reaching as low as $5,000, the first step in the direction of better service and a further demonstration that bureau filings "will not be allowed to stand in the way of modern fire coverages."

Progress in Third Party Liability

In the field of excess third party liability and property damage, where in the past only Lloyds could furnish the desired increased limits over primary insurance or self-insured retention, the same type of progress has been made, Mr. Smith continued. The fantastic limits of liability required for many modern industrial operations so far exceed the increased limit tables as to leave no doubt that underwriting judgment is the only adequate basis for rating.

"Here, again," he remarked, "the state departments have displayed their willingness to encourage the half-dozen American companies which are willing to provide this type of coverage in the domestic market, with the result that we can now furnish such coverage in 36 of the 48 states." Progressive regulation in the bulk of the states has made it possible for American insurers last year to furnish $5 million of coverage in excess of $20 million to an American explosives manufacturer and Mr. Smith pointed out that without the American companies' freedom to underwrite and rate the risk, coverage would have been available nowhere in the world—the first $20 million had already saturated the foreign market.

Must Modify Structure

The structure of policies also must be modified to recognize the problems of modern insurable hazards, he observed. The fire industry has grown with the pattern of policies covering named perils, requiring an insured wanting full protection to purchase a collection of special coverages with some degree of overlap and some unfilled gaps. The so-called "parasol" coverage, the counterpart in the fire field of the umbrella form of liability, is the answer to this, Mr. Smith describing it as a form of protection against all risks on real and personal property, providing both excess beyond basic fire, inland marine, burglary and other forms, and full coverage against uncovered perils as well as when the loss exceeds a specified retention.

"In most states, the rate for such form is certainly in conflict with a narrow interpretation of the work of the fire rating bureau, but, once again, we find a disposition to look to the needs of the insured rather than to preserving the status of a tool which fails to serve those needs," he said.

Marketing, too, came under Mr. Smith's observation. He noted that the present system of individual policies through individual agents and brokers has been the basis upon which the casualty business has grown, and the same was true, 45 years ago, of life and A&S insurance. "Yet, the industry and the regulatory authorities had the courage to embark, beginning in 1912, on a new program of group marketing which has multiplied many times the total insurance protection available . . . at the same time that it has reduced the cost of insurance. The fears of those who 40 years ago regarded the established marketing system as a sacred cow have been proven groundless, and the benefits of low-cost group marketing techniques have accrued to agents and brokers as well as to companies and insured.

"The same voices, or those of their children, are heard today as the industry considers the extension of group marketing principles to the liability and property fields."

Mr. Smith said the chief obstacle to group casualty marketing in most states seems to be a fear that the reduced rate would be unfairly discriminatory. He termed this an example of the danger of mistaking the means for the end.

"Certain recognized groupings of exposure—usually those under common ownership—can gain the advantage of experience rating and expense discounts at present and no one believes that this economic advantage to these groups is unfair. What may be unfair is that exactly similar groups, lacking only the characteristics of common ownership, are forbidden to enjoy the same advantages."

There are inherent dangers in group marketing, including mass purchasing power which could conceivably demand unfair advantage, the creation of blocks of business so attractive to an underwriter as to tempt him to subsidize them from the income of individual operations, but Mr. Smith said the economic efficiency of group underwriting where it is appropriate and properly controlled should not be denied because of rigidly standardized premiums.